

2000

# **THIS IS NOVA CHEMICALS**

***Advantage. Scale. Focus.***

ANNUAL REPORT



*THIS IS ADVANTAGE*



THIS IS COMMODITY



CLEAR PERFORMANCE PLASTICS  
NOVA Chemicals™

NOVA Chemicals™  
CLEAR  
PERFORMANCE  
PLASTICS

MADE IN USA

NET 50 lb  
22.7kg

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THIS IS SCALE



*THIS IS STRATEGY*







**CAUTION  
MOLTEN  
PLASTIC**

*THIS IS FOCUS*



THIS IS LEADERSHIP



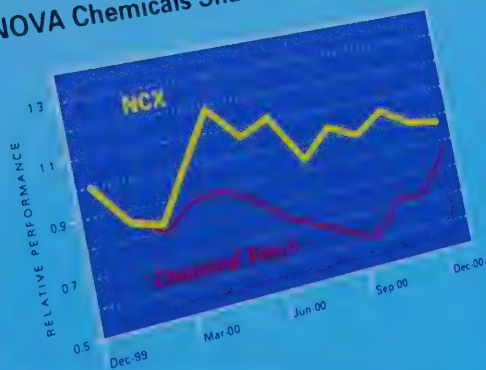


THIS IS COMMITMENT





## NOVA Chemicals Share Price Performance



THIS IS PERFORMANCE

## ADVANTAGE

The Alberta Advantage is more than low-cost feedstock. It is the foundation for NOVA Chemicals' commodity chemicals business – and a starting point that allows us to consistently outperform the competition.

What is the Alberta Advantage? It is composed of three unique elements: **1.** lower cost Alberta natural gas from which ethane is extracted; **2.** lower cost ethane extraction, gathering and transportation infrastructure, and; **3.** more efficient ethane-to-ethylene conversion operations.

These three approximately equal components provide NOVA Chemicals with a long-term, sustainable ethylene cash cost advantage versus its U.S. Gulf Coast peers. Our advantage has averaged 6 cents per pound over the last ten years – and 10 cents per pound over the past two years – on a product that historically sells from 13 to 35 cents per pound.

We've built on this advantage. We'll see further reduction in conversion costs with the new 2.8 billion pound ethylene plant at

Joffre, Alberta. A joint venture with Union Carbide Corporation (now, The Dow Chemical Company) (Dow), this new facility increases production volume by 82%, and lowers our fixed cost per pound.

Our advantage doesn't stop at Joffre. We're able to transport this benefit into our Corunna, Ontario flexi-cracker and Sarnia, Ontario styrene facility through the Cochin Pipeline. Product swaps enable us to transfer this benefit all the way to our Bayport, Texas styrene facility. All of our product lines benefit from this cost-advantaged feedstock.

The Alberta Advantage is more than low-cost feedstock. It's just the beginning.

Gas extraction facility in Alberta, Canada



NOVA Chemicals' manufacturing facility at Joffre, Alberta



We have scale. We are large where we choose to compete – and we are growing rapidly.

In the fall of 2000, NOVA Chemicals began to commercially operate our third ethylene plant (E3) at Joffre, the largest single ethylene cracker in the world, jointly owned by NOVA Chemicals and Dow. This new plant, together with our two existing large-scale ethylene units, makes Joffre the largest and one of the lowest-cost ethylene production sites in North America.

The combined annual ethylene production from the three ethylene plants at the Joffre site will exceed 6 billion pounds. With NOVA Chemicals' additional ethylene production in Ontario, the company ranks fifth in the world in terms of capacity.

Two acquisitions in the last two years have made NOVA Chemicals the third largest styrenics producer in the world. We are the largest producer of styrene monomer in North America and the fourth largest in the world. We are also the largest producer of styrenic polymers in North America with a 30% market share. In Europe, we are the second largest styrenics polymer producer. These positions give us a productivity advantage over many competitors.

## SCALE

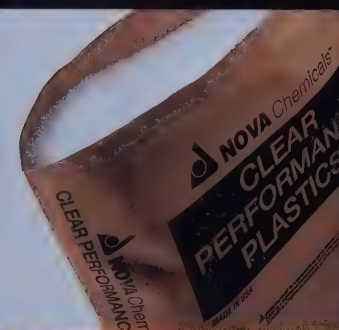


# COMMODITY

Our business is simple, our company is straightforward, and our products are basic commodities. The polyethylene and polystyrene pellets and beads we produce are the building blocks for basic household and industrial products used by people every day all over the world.

Commodity businesses are demanding. We work hard to differentiate NOVA Chemicals in the marketplace with product quality and consistency, customer service, technical support and new product development.

Commodities are the foundation of our economy and our lifestyle. We are proud of our industry and of the leadership role that we play within it. We operate without illusions and our cost structure and culture reflect the strict requirements of a highly competitive business model. Our teams aggressively manage the margins we generate using leading edge information management tools and a disciplined approach to product and customer mix. We continuously drive for cost reductions in every part of our company.



NAS® high performance styrenic resins



Employees at work –  
U.S. Operating Center,  
Pittsburgh, Pennsylvania

producer of every grade of every product we make, building on sustainable advantages, investing only for high returns, and playing an active role in industry consolidation.

NOVA Chemicals is working very hard to become the best commodity chemical company in the world. We measure ourselves in two ways – our after-tax return on capital employed and our total return to shareholders. We know that speed wins – we need

We have a strategy that delivers results. We are tightly focused, moving quickly to be the low-cost

to deliver services and products faster and more cost-efficiently than anyone else. We also recognize that it's our strategy that keeps us on target and drives our accomplishments.

As part of our strategy, we aggressively reduce costs – particularly by reducing the time it takes to get things done – in all areas of our company and we optimize our use of information technology around the world. We also maximize our profit margins through a marketing system based on value, rather than volumes. We introduce new higher-value products, improve our customer mix, and measure success in terms of total business margin – not revenue.

# STRATEGY

## FOCUS

NOVA Chemicals is a company with sharp focus.

We have only two businesses – ethylene/polyethylene and styrene/polystyrene. Being so tightly focused gives us a unique competitive edge – we are able to share talent and experience across the company to lower costs and outperform larger competitors.

The sharing of information technology, purchasing, logistics, human resources, engineering and customer service allows us to remove costs from functions across the company while improving performance.

With more pounds of polymer per each dollar invested in our company, NOVA Chemicals is more highly leveraged in our chosen markets than any other company. Our shareholders know this, and more importantly, our employees know this. We think and act differently than our competitors.

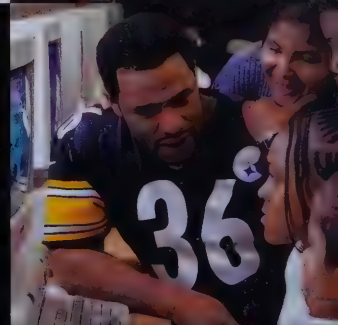
Our focus, our talent and our straight-forward strategy, combined with our Alberta Advantage and scale will not only allow us to compete in today's chemical industry, it will also allow us to continue to excel.

Everyone in our company understands we are in business to generate value for our shareholders and we work together to maximize returns.

Twin-screw extruder at  
NOVA Chemicals'  
Chesapeake, Virginia facility



Jerome Bettis with CyberBus  
program students – Pittsburgh,  
Pennsylvania



At each of our plant sites, we have Responsible Care® based community initiatives that are designed to make NOVA Chemicals the neighbor chosen to work with and live with. Our commitment to community is further enhanced with corporate sponsorships and donations. We are very proud of our commitment to sustainable development programs everywhere we work.

Highlights of our efforts in 2000 include:

- A US \$190,000 contribution to launch a Habitat for Humanity project in Red Deer, Alberta – providing affordable housing and celebrating our expansion in nearby Joffre;
- Record-breaking United Way campaigns across our North American sites – community-focused donations that were led by our employees and matched by the company;

- The first annual President's Award for Excellence in Responsible Care, earned by St. Clair River site employees for their outstanding safety performance, teamwork and relentless pursuit of excellence;
- More than 150 computers were donated to the "CyberBus" program sponsored by Pittsburgh Steelers' running back Jerome Bettis – opening the world of computer learning to underprivileged children in Pittsburgh's inner-city schools.

NOVA Chemicals is proud to invest and participate in all of the communities in which we operate and live. We are a big part of the community and we will always strive to be a neighbor of choice.

## COMMITMENT



# LEADERSHIP

Leadership is about results – and results create shareholder value.

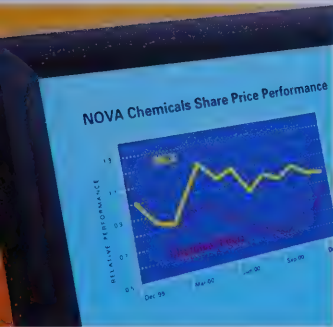
NOVA Chemicals' leadership is committed to results and to the value it creates for shareholders. Our CEO is required to hold four times his salary in common stock; nine senior executive leaders are required to hold two times their salary in stock and approximately 70 other senior leaders are each required to hold half of their salary in stock. Many of our company's leaders hold much more stock than required by our policy. We have committed and motivated leadership.



L to R: D. Spliss; T. Poole;  
L. MacDonald; J. Wheeler;  
C. Pappas; J. Mustoe; J. Lipton;  
D. Boivin; S. O'Brien; W. Lunt

Late in 2000, we implemented a sophisticated employee performance measurement and development program designed to enhance individual contribution; sharpen our collective focus on our customers; and more swiftly adapt to the constant changes that shape our success.

We firmly believe that success begins with our collective business acumen, our keen interest in results, and the way we solve problems. Each of these elements relies on strong, clear, confident leadership. And while all companies strive to solve problems and make good decisions – NOVA Chemicals is different. We do it faster and we reward everyone in our company on the basis of their contribution to the creation of shareholder value.



NOVA Chemicals' 12-month  
share price performance for 2000

Our earnings per share record is very strong compared to our competitors and our share price performance over the last two years is by far the best in our industry.

The year 2000 was our strongest in five years. Earnings (before unusual items) improved by 130% over 1999. We benefited from an exceptional year of our Alberta Advantage and captured the synergies associated with the Huntsman acquisition one year ahead of schedule.

Our debt to total capitalization has held at about 40%. Our debt ratings remain investment grade despite investing more than \$2 billion in the last two years to acquire two styrenics businesses, build our new facilities at Joffre, and buy back eight million common shares.

Continued corporate-wide cost reductions and margin maximization efforts allowed us to outperform most of our competitors. Styrenics earnings improved by \$54 million, bringing the business to profitability for the first time since 1995. Olefins/polyolefins delivered a 27.6% after-tax return on capital employed.

# PERFORMANCE

# LETTER TO SHAREHOLDERS

*NOVA Chemicals significantly outperformed its North American peers in 2000 and did so in a way that will give shareholders confidence in our future. It was the most profitable year for our company's operations since the last industry peak in 1995. Before unusual items we earned \$287 million compared to \$124 million in 1999 and had a 13.9% after-tax return on capital employed.*

## **STYRENICS**

We acquired Shell's styrenics business in January and became a leader in commodity plastic resins on two continents, established ourselves as the world's third largest styrenics producer and brought our two core businesses to roughly the same size.

Styrenics profits improved by \$54 million from 1999 to net income of \$42 million. Cost reduction was a major factor in our first profitable year since 1995. Target synergies of \$65 million per year from the 1998 Huntsman acquisition were reached one full year ahead of schedule and synergies from the Shell acquisition are already 40% ahead of our targets. We drove work process improvement in our plants and logistical system, cut costs of purchased goods and services, and maximized margins with shifts in customer and product mix.

We have established styrenics as an important part of NOVA Chemicals. In fact, we are the only major company where leverage to the commonly expected surge in styrenics profitability will have a major impact on earnings per share. The timing of our acquisitions and the improvements we have made in the business position us to deliver strong value for shareholders over the next few years.

## **OLEFINS AND POLYOLEFINS**

Olefins and Polyolefins performed extremely well during a year when most competitors struggled to break even. Net income of \$258 million and a 27.6% after-tax return on capital employed provide clear proof that our ethylene feedstock and production cost advantage in Alberta is real. We also demonstrated continued cost reduction and margin maximization techniques that delivered bottom line value.

We remain confident that our major expansion at Joffre will generate very strong returns on our investment. We are however, disappointed with our construction program. The world's largest ethylene plant (E3) was essentially on time and on budget, but the cogeneration plant was late and had a difficult start-up due to excessive equipment failure. The new technology-based polyethylene plant (PE2) was behind schedule and significantly over budget due to late and over-engineered design, construction sequencing problems, and poor availability and productivity of labor in the overheated Alberta construction environment.

As of January 2001, E3 and the cogeneration unit are operating well and have proven they will produce at full nameplate capacity. The polyethylene plant construction is finished and commissioning activity is over 90% complete.

We are very excited about Joffre's future. As the polyethylene plant approaches full utilization by the end of this year, its output will fit well with global market demand recovery. There is relatively little capacity coming on stream in 2002 and 2003 and we expect the supply demand balance to be very positive. In addition to good timing, our new facilities will have the benefit of low-cost feedstock, major scale efficiencies, and low-cost utilities from the cogeneration plant. We also expect significantly lower cost polyethylene components from BP's linear alpha olefins plant. Joffre will be the largest and soon will be the lowest-cost ethylene and polyethylene production site in North America. Our PE2 plant will utilize unique technology that allows low-cost production of a broad range of high-margin products.



## COMPANY STRENGTHS

As we consider our company's strengths it is important to describe what we call our Alberta Advantage. The Advantage is based on three major factors, one variable and two fixed. The variable component is based on being able to buy ethane, our feedstock for ethylene, by replacing the energy value of ethane we extract from the natural gas stream with a similar energy value of natural gas. Natural gas prices in Alberta have been 70¢ per mmBTU, or 30%, lower over the last ten years than they have been on the U.S. Gulf Coast. This difference is related to transportation cost differentials and is likely to vary from 30¢ to 50¢ over the next few years.

The fixed portions of our ethylene cost advantage are tied to lower ethane extraction and delivery costs and the very large scale of our ethylene facilities. The Alberta Advantage has averaged more than 6¢ per pound of ethylene for a decade. We are confident it will deliver a minimum of 4¢ per pound in any given year and will average at least 6¢ per pound for the next decade.

We add to our ethylene advantage in a number of ways. We have the scale and talent necessary to be efficient and effective in research and development for both of our businesses. We have world-class logistics and purchasing functions that add value across the company and international marketing capability that offers unique flexibility to both of our businesses.

We are also industry leaders in the deployment and, more importantly, the profitable use of information technology. We are the only plastic resin producer that can define, on a real-time basis, the incremental profit contribution, per reactor hour, for every product we make going to every location we serve. We use the information to maximize margins by shifting product and customer mix, eliminating poor margin products and making strategic decisions such as which market segments we'd like our sales people to focus on.

Our financial position is strong. NOVA's debt to total capitalization has held at about 40% and our debt ratings remain investment grade despite investing more than \$2 billion in the last two years to acquire two styrenics businesses, build our new Joffre facilities, and buy back eight million common shares. Only the very largest companies in our industry can match our balance sheet.

## STRATEGY

Some investors question how we can compete with the large companies like Dow (Carbide), ExxonMobil, Chevron Phillips, and Equistar (Lyondell, Occidental & Millennium) that have evolved through recent consolidations. I'm confident our focus, our talent and our straight-forward strategy combined with our Alberta Advantage and the scale we have in the plants and businesses we work in will not only allow us to compete in today's chemical industry, but will also allow us to continue to excel.

### *Our strategy has five simple elements:*

① Focus on our core products – commodity plastic resins: The focus allows us to apply world-class talent to businesses that don't necessarily receive much attention in bigger companies. The fact that our businesses are so similar also allows us to share people and work processes for true continuous improvement. We share information technology, purchasing, logistics, human resources, engineering, maintenance and customer service across the company and relentlessly take costs out of all of our functions while improving performance.

- ② Be the low-cost supplier of every grade of every product we make: In addition to our low-cost feedstock position, we have reduced production costs (excluding feedstock and utilities) by 14% per pound in 1999 and 7% per pound in 2000. We will deliver more of the same in 2001.
- ③ Build on our sustainable competitive advantage: NOVA's portion of the new Joffre ethylene plant is 1.6 billion pounds per year. At the 10-year average Alberta Advantage of 6¢ per pound of ethylene, our costs will be \$100 million per year less than the average cost of making the product on the U.S. Gulf Coast.
- ④ Invest only for high returns: Our minimum acceptable return on any investment, other than a Responsible Care project, is 16% after-tax. That's considerably better than the industry has averaged for a long time. It's a target we regularly exceed for our entire olefins/polyolefins business and expect to average in our styrenics business as well.

This element of our strategy, combined with our focus, will result in financial discipline that will allow us to generate very significant free cash flow over the next few years. We will use that cash for debt reduction, high return accretive projects or acquisitions and the aggressive repurchase of our common shares.
- ⑤ Actively participate in the consolidation of our industry: NOVA Chemicals has proven we can make value-adding strategic acquisitions. We have clearly demonstrated we can integrate people and facilities quickly and effectively and that we will deliver on the synergistic improvements that investors count on for success.

#### **CURRENT ENVIRONMENT**

As the fourth quarter of 2000 came to a close it was obvious that North American manufacturing activity was slowing down very quickly. Demand for our resin products fell rapidly as customers reduced inventories to below-normal levels. On top of that, natural gas prices surged to record levels.

About two-thirds of all North American ethylene production is based on natural gas liquids, ethane and propane, and manufacturers found themselves unable to cover production costs at prevailing ethylene and polyethylene prices. Operating rates were pulled back sharply and some competitors lost money for the quarter.

As we begin 2001 we face the likelihood of continued weakness in North American manufacturing for at least another quarter with moderating, but still very high natural gas prices. NOVA Chemicals and its competitors will begin the year in a very unusual and difficult environment and operating performance will be very poor, as bad as it has been for many years. We expect price increases will allow month-to-month improvement during the first quarter, and believe a recovering economy will allow margin expansion in the second half of the year.

It is difficult to project short-term natural gas prices but no matter where they stand, NOVA Chemicals will maintain a significant ethylene cost advantage over U.S. Gulf Coast ethane/propane based plants. Since they represent about two-thirds of all production, we are confident NOVA Chemicals will stay ahead of the curve and outperform its peers.

#### **LONGER TERM**

We are convinced that supply/demand balances and feedstock costs will both improve by the end of the year and that 2002 will mark the beginning of a significant, and relatively long and strong upturn in the profitability of our two product lines.





As investors think about NOVA Chemicals, it is worthwhile considering the long-standing belief that the best time to invest in the highly cyclical chemical industry is when all of the bad news is out and a trough is clearly defined. Troughs have been periods when managements cut back investment in new facilities, creating the foundation for strong improvement in supply demand balances and profit margins. If that belief is valid, the first quarter of 2001 might be filled with not only bad news but also good news for NOVA Chemicals' shareholders.

Despite the short-term issues, NOVA Chemicals remains a unique investment for those interested in the longer-term fundamentals for plastic resins. NOVA Chemicals provides much more leverage to the strong improvement expected in both polyethylene and polystyrene markets than any other North American company.

More importantly, we have demonstrated that we have a disciplined, focused management team that has developed a corporate culture able to deal with the demands for long-term success in commodity chemicals. Our employees are ready for the challenge in 2001 and the opportunities beyond. Their energy and creativity are focused on reducing our costs, shaping our product and customer mix to maximize margins and running the most productive plants in the industry. Our management team is financially committed to NOVA Chemicals. We have all invested a sizable portion of our net worth in the company and we and our teams come to work each day with one major objective – to deliver value growth for our shareholders.

Sincerely,

Jeffrey M. Lipton

*President and Chief Executive Officer*

## OLEFINS AND POLYOLEFINS



NOVA Chemicals produces ethylene, polyethylene and various co-products at four manufacturing locations in Canada. With total production capacities of 6.6 billion pounds of ethylene and 2.6 billion pounds of polyethylene—we rank no.5 in North America for both products and globally we are no.7 for ethylene and no.10 for polyethylene. With the start-up of PE2 in 2001, we will have an additional 850 million pounds of polyethylene capacity.

### ETHYLENE

Ethylene is a gaseous hydrocarbon. When subjected to heat, pressure, and certain catalysts (substances used to control chemical reactions), ethylene molecules join together into long, repeating carbon chains. These joined molecules form a plastic resin that we know as polyethylene.

### POLYETHYLENE

NOVA Chemicals markets a variety of polyethylene resins, each with specific performance characteristics. Brand names include NOVAPOL® and SCLAIR®. Resins from our PE2 reactor in Joffre will be produced using our Advanced SCLAIRTECH™ technology. Commercial production is scheduled for 2001.

The following is a breakdown of NOVA Chemicals' olefins/polyolefins product line—related to typical end-use applications that are used everyday:

- **LINEAR LOW-DENSITY POLYETHYLENE (LLDPE)**  
Shrink film; stretch film; merchandise bags; heavy duty bags; agricultural film; liquid packaging; barrier film
- **LOW-DENSITY POLYETHYLENE (LDPE)**  
Wire & cable insulation; grocery bags; industrial liners; frozen food bags; squeezable bottles; bread bags; foam/bubble pack
- **HIGH-DENSITY POLYETHYLENE (HDPE)**  
Industrial drums; toys; shipping containers; medical packaging; milk, water, juice containers; detergent bottles; conduit & pipe

### CO-PRODUCTS

NOVA Chemicals also produces and markets a range of co-products that are produced during the process of producing ethylene. We use these valuable “co-products” for our own production requirements or market them to third parties.

- **THESE PRODUCTS INCLUDE:**  
Propylene; aromatics; energy products; hydrogen off-gas; mixed butadiene-butenes



## STYRENICS



With two acquisitions in two years – NOVA Chemicals' styrenics business has grown to be equivalent in size to our polyethylene business. In 2000, we had fifteen global manufacturing sites with total production capacity of 3.8 billion pounds of styrenic polymers and 2.6 billion pounds of styrene monomer. We also have a 400 million pound styrene tolling arrangement in Channelview, Texas. NOVA Chemicals ranks no.1 in North America for styrene, solid polystyrene, and expandable polystyrene production. Globally we are no.4 for styrene, no.3 for solid polystyrene, and no.2 for expandable polystyrene.

### STYRENE MONOMER

Styrene is a clear, colorless liquid that is a component of materials used to make thousands of everyday products. Styrene is derived from benzene and ethylene and is the primary raw material from which polystyrene is made.

### POLYSTYRENE

Polystyrene is a solid plastic made from polymerized styrene monomer. Polystyrene is used in two forms – solid and expandable. NOVA Chemicals also manufactures a line of High Performance Styrenic polymers that have specific performance attributes. Here are several end-use applications that begin with NOVA Chemicals' styrenic resins:

#### • STYRENE MONOMER

Solid polystyrene; high performance styrenics; acrylics; expandable polystyrene; acrylonitrile butadiene styrene (ABS); coatings

#### • SOLID POLYSTYRENE (SPS)

Cassette & CD jewel cases; food packaging; wood replacement products; housewares; refrigerator liners; toys; tub & shower surrounds; food serviceware

#### • EXPANDABLE POLYSTYRENE (EPS)

Cups; foam packaging; construction insulation; flotation devices; insulated concrete forms; sports & safety equipment

#### • HIGH PERFORMANCE STYRENICS (HPS)

Small appliances; television consoles; cosmetics packaging; electronics; computer peripherals; medical devices

## WORLD-WIDE PRODUCTION



### 1. JOFFRE, ALBERTA

4950 mmbs ethylene  
1255 mmbs LLDPE (PE1)  
850 mmbs LLDPE  
and HDPE (PE2)\*  
740 mmbs co-products  
\* commercial production  
begins 2001

### 2. JOLIET, ILLINOIS\*

230 mmbs SPS  
\* closed February 2001

### 3. SARNIA, ONTARIO

950 mmbs styrene

### 3. CORUNNA, ONTARIO

1600 mmbs ethylene  
4500 mmbs co-products

### 3. MOORE TOWNSHIP, ONTARIO

450 mmbs HDPE  
300 mmbs LDPE

### 3. ST. CLAIR RIVER, ONTARIO

600 mmbs LLDPE and  
HDPE

### 4. MONTRÉAL, QUÉBEC

130 mmbs SPS

### 5. PAINESVILLE, OHIO

75 mmbs EPS

### 6. BELPRE, OHIO

480 mmbs SPS

### 7. MONACA, PENNSYLVANIA

405 mmbs EPS and HPS  
• Styrenics Technology Center

### 8. SPRINGFIELD, MASSACHUSETTS

310 mmbs SPS and HPS

### 9. CHESAPEAKE, VIRGINIA

400 mmbs SPS and HPS  
• High Performance Styrenics  
Technology Center

### 10. DECATUR, ALABAMA

395 mmbs SPS

### 11. CHANNELVIEW, TEXAS

400 mmbs styrene  
(equity participation)

### 12. BAYPORT, TEXAS

1250 mmbs styrene





**13. CARRINGTON, ENGLAND**

400 mmlbs SPS

155 mmlbs EPS

**14. BREDA, THE NETHERLANDS**

265 mmlbs SPS

200 mmlbs EPS

- European Styrenics Technology Center

**15. RIBÉCOURT, FRANCE**

200 mmlbs EPS

**16. BÈRRE, FRANCE**

140 mmlbs EPS

**17. CALGARY, ALBERTA**

- NOVA Chemicals Research and Technology Center
- NOVA Chemicals Technical Center

# 2000 ACHIEVEMENT SUMMARY

*Based on NOVA Chemicals' Five-Point Business Strategy*

## **FOCUS ON COMMODITY CHEMICALS**

- Dynegy divestiture – Total proceeds from this investment, a legacy from NOVA Corporation, were \$741 million for a total after-tax gain of \$205 million.

## **BE THE LOW-COST PROVIDER**

- Feedstock procurement – We capitalized on natural gas hedging opportunities to deliver \$55 million after-tax in 2000. Approximately \$5 million after-tax was also delivered on crude oil feedstock hedging.
- Acquisition synergies – We delivered the full \$65 million after-tax synergies identified with the Huntsman acquisition one year ahead of schedule. We're well ahead of schedule with our first year Shell acquisition synergies of \$3.5 million after-tax in 2000.
- Cost reduction – We reduced our fixed and variable costs (excluding feedstocks and utilities) per pound of polymer capacity by 7% in 2000 versus 1999.

## **INVEST ONLY FOR HIGH RETURNS**

- Share buy-back – We bought back 8 million shares as we firmly believe our stock is undervalued. Given the current alternatives available to us, we see this as the best investment option for our free cash.
- We are confident that all growth and strategic capital spending approved in 2000 will exceed our targeted 16% after-tax return on capital.

## **BUILD ON AND ADD TO OUR SUSTAINABLE COMPETITIVE ADVANTAGE**

- In 2000, we started up the world's largest ethylene cracker and completed construction on our new Advanced SCLAIRTECH™ polyethylene plant at our Joffre, Alberta site. It will be the lowest-cost ethylene/polyethylene production site in North America.
- We also invested in the infrastructure of the Joffre site with a cogeneration unit that was fully operational in Q4 2000. It provides low-cost steam and electricity to the entire Joffre complex.

## **BE AN INDUSTRY CONSOLIDATOR**

- Shell acquisition – We purchased Shell's European styrenic polymer assets to become the no.1 EPS supplier and the no.2 styrenics polymer supplier in Europe.
- Joliet closure – We recognized our cost structure could not be improved sufficiently and permanently closed our highest-cost solid polystyrene plant.



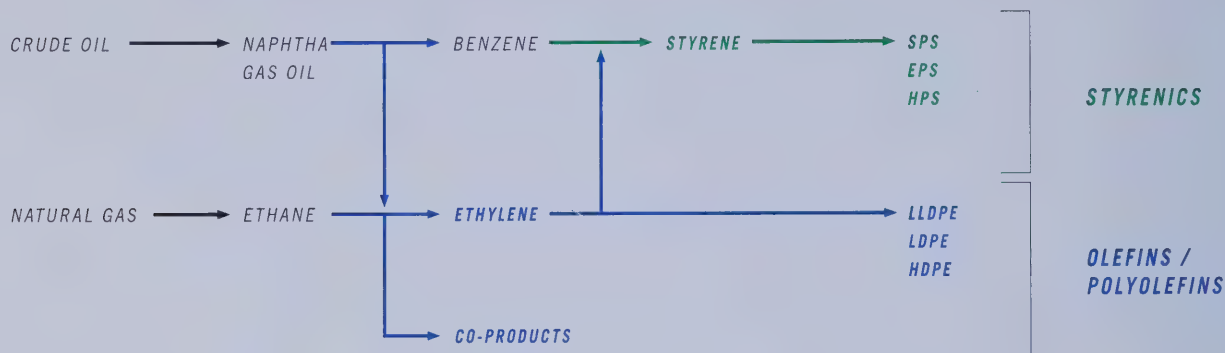
# FINANCIAL HIGHLIGHTS

<i>(millions of U.S. dollars, except per share data and ratios)</i>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Revenue	<b>3,916</b>	2,808	2,075
Net income to common shareholders <sup>1</sup>	<b>287</b>	124	28
Net income per share <sup>1,2</sup>			
–basic	<b>3.23</b>	1.34	0.30
–fully diluted	<b>2.91</b>	1.30	0.30
Funds from operations	<b>611</b>	342	170
Plant, property and equipment additions	<b>440</b>	620	367
Total assets	<b>4,688</b>	4,559	3,580
Debt to total capitalization	<b>42.9%</b>	43.1%	45.9%
Return on average common equity <sup>3</sup>	<b>21.2%</b>	9.9%	2.3%

1. Before unusual items of \$(21) million in 2000, \$93 million in 1999, and \$(12) million in 1998.

2. Assumes 89 million weighted-average common shares outstanding in 2000 (93 million in 1999 and 92 million in 1998).

3. Net income to common shareholders before unusual items divided by average common equity excluding preferred securities and retractable preferred shares.



## FORWARD-LOOKING INFORMATION

The information in this Annual Report contains forward-looking statements with respect to NOVA Chemicals Corporation (NOVA Chemicals), its subsidiaries and affiliated companies. By their nature, these forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. These risks and uncertainties include: commodity chemicals price levels (which depend, among other things, on supply and demand for these products, capacity utilization and substitution rates between these products and competing products); feedstock prices; operating costs; technology developments; exchange rate fluctuations; starting up and operating facilities using new technology; realizing synergy and cost saving targets; avoiding unplanned facility shutdowns; safety, health and environmental risks associated with the operation of chemical plants and marketing of chemical products, including transportation of these products; public perception of chemicals and chemical end-use products; performance of Methanex Corporation (Methanex); meeting time and budget targets for significant capital investments; and other risks detailed from time to time in the publicly filed disclosure documents and securities commissions reports of NOVA Chemicals and its subsidiaries or affiliated companies.

References to NOVA Chemicals' peers include the following chemical companies: Dow Chemical Company (DOW), Eastman Chemical Company (EMN), Lyondell Chemical Company (LYO), Millennium Chemicals Inc. (MCH) and Methanex.

Implementation of announced price increases depends on many factors, including feedstock costs, market conditions and the supply/demand balance for polyethylene and polystyrene. Successful price increases are typically phased in over several months, vary from grade to grade and can be reduced in magnitude during the implementation period.

*All financial information is in U.S. dollars unless otherwise indicated.*

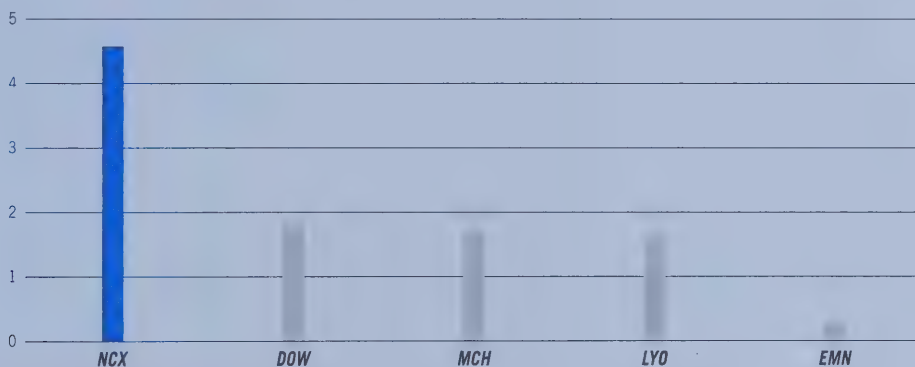


**OUR INDUSTRY AND MARKETS**

NOVA Chemicals delivers value to our shareholders by focusing on two key commodity chemical businesses: olefins/polyolefins and styrene/polystyrene. We are a mid-sized company but we have substantial scale in the businesses in which we have chosen to compete. We are more highly leveraged to polyethylene and polystyrene than any other North American company, as shown below. An investor looking to participate in the commonly expected strong improvement in these plastic resin markets will get more pounds of polymer per dollar invested in NOVA Chemicals than from any other company.

Commodity chemicals and plastics are produced in very large quantities and sold to customers worldwide. In 2000, we produced 5.1 billion pounds of ethylene and 2.4 billion pounds of styrene. These chemicals are the primary feedstocks for our plastics production, 2.7 billion pounds of polyethylene and 3.1 billion pounds of styrenic polymer resin. Our plastic resins are sold to processors who manufacture a variety of consumer, industrial and electronic goods.

**POUNDS OF POLYETHYLENE  
AND POLYSTYRENE  
PER DOLLAR INVESTED**

**OUR BUSINESS DRIVERS**

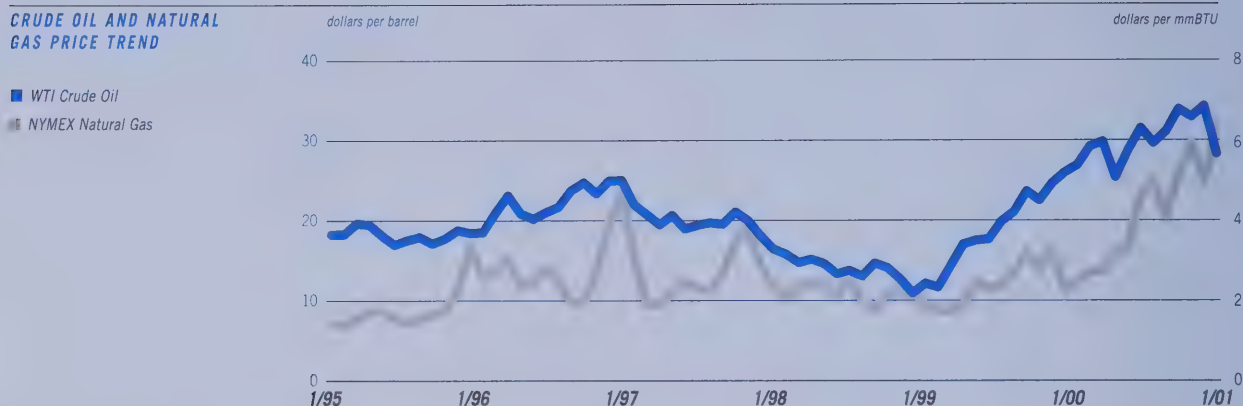
The primary factors that drive NOVA Chemicals' profitability are the same as for many other commodity businesses and include the cost of feedstocks, market supply and demand, the industry earnings cycle and product pricing. We have an experienced management team that is highly motivated and focused on delivering shareholder value.

**FEEDSTOCKS**

Our feedstocks are derived from natural gas and crude oil. The pricing dynamics in the energy markets directly impact the cost of our feedstocks, which represent at least 60% of our total costs.

In 2000, natural gas prices started the year at \$2.34 per million British Thermal Units (mmBTU) and reached \$6.32 per mmBTU by year-end, a 170% increase. Crude oil prices that were \$27.00 per barrel in January 2000, climbed to a high of \$34.26 per barrel in November before closing the year at \$28.40 per barrel. This is shown on the next page.

NOVA Chemicals purchases 80 to 90 million mmBTU per year of natural gas feedstock. A one dollar per mmBTU change in the price of natural gas for an entire year can impact our after-tax earnings by approximately \$60 million. NOVA Chemicals' experience allows us to successfully manage the risk of crude oil and natural gas price volatility by participating in energy futures markets.

**CRUDE OIL AND NATURAL GAS PRICE TREND****SUPPLY/DEMAND BALANCE**

As the economy grows, consumers demand more end-use products made from polyethylene and polystyrene. Market demand for our products is a multiple of gross domestic product (GDP), as shown below. This growth is relatively steady over time with some significant variations between world regions. The flexibility to shift sales from one region to another based on relative demand conditions is a competitive strength for NOVA Chemicals.

**AVERAGE ANNUAL GROWTH 1991-2000**

	GDP (%) <sup>1</sup>	PE Demand Growth (%)	PE Growth Multiple of GDP	SPS Demand Growth (%)	SPS Growth Multiple of GDP
North America	3.3	4.8	1.5	4.9	1.5
Europe <sup>2</sup>	2.0	3.7	1.9	2.9	1.5
Asia	3.4	8.7	2.6	8.1	2.4
World	2.7	5.7	2.1	5.5	2.0

<sup>1</sup> Source: Standard and Poor's DRI World Economic Outlook. Estimated 2000 growth rates.

<sup>2</sup> Western Europe only.

Capacity utilization or industry operating rates are often used to represent the market supply/demand balance. The terms are synonymous and represent the percentage of available industry capacity required to meet the current market demand. When supply/demand is in balance, typical operating rates are somewhere between 85% and 90%. The industry cannot sustain 100% utilization rates for any period of time because of the need for plant maintenance downtime.

When monomer supply/demand balance is very tight, it can directly impact the downstream supply of polymer. For example, when there is not enough monomer to satisfy feedstock requirements, actual polymer availability is less than reported capacity. In this situation, reported operating rates will not accurately reflect polymer supply/demand balance. We expect this will be the case for polystyrene as projected styrene capacity utilization reaches 100%.



Chemical Markets Associates, Inc. (CMAI) has produced an industry supply/demand perspective for each of our markets, as shown below.

## NORTH AMERICAN SUPPLY/DEMAND

percent

Source: CMAI

- Ethylene
- Polyethylene
- Styrene



## EARNINGS CYCLE

Although global demand growth in our industry is relatively consistent each year, supply growth is not continuous and comes primarily through the construction of large new plants. As capacity utilization tightens, market prices and suppliers' margins tend to increase. Suppliers then make new capacity additions that cause industry operating rates to decline and profitability is correspondingly reduced. Generally, three to five years are required from the initial announcement to complete construction of a new plant and commercialize product. This pattern of supply surplus and shortage creates earnings cycles in the commodity chemical industry.

Historically, these cycles have been approximately seven years from peak to peak. The last two peaks in the chemical cycle occurred in 1988 and 1995. Many analysts expect the next peak to occur in 2002 or 2003, and be predominantly monomer driven. By this time NOVA Chemicals will have approximately 2.5 times the polymer production capacity we had in 1995. Today, every penny of increased margin in our combined businesses yields NOVA Chemicals approximately \$61 million in additional net income. Our growth, through construction and acquisition, has been timed to take full advantage of the expected peak in the earnings cycle.

**PRODUCT PRICING**

Energy costs are the primary driver for the pricing of our products. Supply/demand balances determine the profit margins we can earn in each of our businesses. When demand is strong, suppliers have an opportunity to implement price increases with customers and earn higher margins. In 2000, product demand for both polyethylene and polystyrene was softer than expected in North America and Europe. In addition, customers held relatively high inventory levels in anticipation of rising energy costs and the expected impact on petrochemical prices. Together, the higher customer inventory levels and softer demand made it difficult for NOVA Chemicals to increase prices as fast as costs increased during the year.

Towards the end of the year, there was a rapid slowdown in the North American manufacturing sector and a sharp increase in natural-gas-based feedstock costs. It was impossible to raise resin prices sufficiently to protect our polymer margins, and as a consequence, earnings were reduced. In response to higher feedstock costs, NOVA Chemicals announced three polyethylene price increases totaling 16 cents per pound and one polystyrene increase of 3 cents per pound for the first quarter of 2001.

**FACTORS AFFECTING NOVA CHEMICALS 2001 NET INCOME<sup>1</sup>**

	Corresponding estimated increase in annual after-tax income (\$ million)	Assumed third-party sales <sup>6</sup> (billions of pounds)
<b>INCREASE<sup>2</sup> OF U.S. 1 CENT PER POUND IN PROFIT MARGIN</b>		
Ethylene <sup>3</sup>	7	1.1
Polyethylene	19	3.0
Styrene <sup>4</sup>	7	1.1
Polystyrene—North America <sup>5</sup>	13	2.1
Polystyrene—Europe <sup>5</sup>	9	1.2
Propylene	6	1.0
<b>INCREASE<sup>2</sup> OF 1 CENT IN EURO VS. U.S. DOLLAR</b>	2	—
<b>INCREASE<sup>2</sup> OF \$10 MILLION IN METHANEX'S NET INCOME</b>	2	—

<sup>1</sup> The expected impact of Canadian exchange rate fluctuations for 2001 is not considered material as substantially all anticipated Canadian dollar costs have been hedged.

<sup>2</sup> A decrease in these factors will have the opposite effect on net income.

<sup>3</sup> Excludes cost-of-service third-party sales.

<sup>4</sup> Includes short-term purchase arrangements.

<sup>5</sup> Includes solid polystyrene and expandable polystyrene.

<sup>6</sup> Estimate based on projected 2001 utilization rates.

**COST REDUCTION**

With external factors such as GDP and feedstock prices impacting the commodity chemical earnings cycle, NOVA Chemicals is focused on the business drivers within its control. To succeed in the commodity chemical industry, low-cost feedstock is a critical starting point. NOVA Chemicals benefits in this regard from its astute feedstock acquisition program (discussed on page 31) and "The Alberta Advantage" (discussed on page 32).

In 2000, we were able to drive down fixed and variable costs per pound of polymer capacity (excluding feedstocks and utilities) by 7% versus 1999. This business improvement contributes significantly to our efforts to sustain and improve our relative competitive position.



### **MARGIN MAXIMIZATION**

Beyond controlling costs, NOVA Chemicals benefits from work processes that have been designed to maximize margin in its commercial operations. NOVA Chemicals was the first chemical company to successfully implement the new enterprise-wide information system, SAP® 4.6 software (SAP). In 1999, we implemented a Margin Model that uses information from SAP to analyze unit margin for each commercial transaction we consider. Late in 2000, we also implemented a proprietary system, Integrated Marketing and Commercial Support (IMACS) based on Siebel Systems software, which gives us the capability to provide our field sales representatives with remote access to key margin and service information on a real-time basis.

Pricing is controlled centrally and decisions around target end-use markets and product development involve managers who are able to determine the impact on production cost, inventory and logistics. Our focus is on margins rather than volume or price, and we know the cost and throughput rate of each grade we produce. Thoughtful selection of regional markets, customer locations and packaging modes help build effective product strategies. We use our advanced information systems to define the incremental profit contribution per hour of reactor time for every product going to every customer location to maximize margins.

### **FINANCIAL PERFORMANCE IN 2000**

NOVA Chemicals earned \$287 million in 2000 before unusual items (\$2.91 per share, fully diluted), up 130% from 1999, and up over 900% from 1998. 2000 was our strongest year in five years.

Net income from our operated businesses was \$300 million versus \$152 million in 1999, primarily as a result of higher polymer prices which stayed ahead of higher feedstock costs until the fourth quarter. NOVA Chemicals realized the benefit of a large portion of polyethylene price increases as a result of its low-cost Alberta ethylene production and feedstock hedging gains. Additional styrenic polymer sales volumes beginning in February with the Royal Dutch/Shell Group (Shell) acquisition, new ethylene customer demand in mid 2000, and additional ethylene sales volumes from E3 in December also contributed to this increase.

Unusual items included a \$21 million gain (after-tax) on the final divestiture of our investment in Dynegy Inc., a \$29 million gain due to a reduction in future Canadian federal and Ontario provincial tax rates, and a one-time \$71 million (after-tax) charge related to the closure of the Joliet, Illinois site and the writedown of certain other non-productive assets.

NOVA Chemicals' equity investment in Methanex yielded \$23 million in after-tax earnings versus a loss of \$29 million in 1999. By the end of 2000, Methanex completed a share buy-back program that reduced its issued and outstanding shares to 161 million. NOVA Chemicals did not participate in this buy-back program and as a result, our ownership position increased from 27.1% at the end of 1999 to 29.2% in 2000.

### **NOVA CHEMICALS SHARE BUY-BACK**

In February 2000, NOVA Chemicals' Board of Directors approved the repurchase of up to 5 million NOVA Chemicals common shares on the Toronto Stock Exchange. The program was subsequently increased to 8 million common shares in August 2000, the maximum allowed under a Normal Course Issuer Bid. The program was successfully completed in December 2000 at an average cost of \$18.40 (\$27.91 Cdn.) per share. This program demonstrates our belief that NOVA Chemicals shares represent a high return investment. After the repurchase, there are approximately 85 million NOVA Chemicals common shares issued and outstanding. Fully diluted earnings per share for 2000 increased by 7 cents as a result of the share repurchase.

**NOVA CHEMICALS HIGHLIGHTS**

<i>(millions of dollars except per share amounts and as noted)</i>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Net income (loss)			
Olefins/Polyolefins	\$ 258	\$ 167	\$ 61
Styrenics	42	(12)	(35)
Other	—	(3)	3
NOVA Chemicals operated	300	152	29
Methanex <sup>1</sup>	23	(29)	(25)
Dynegy	—	37	26
Net income before preferred securities dividends and distributions	323	160	30
Preferred securities dividends and distributions	(36)	(36)	(2)
Net income to common shareholders before unusual items	287	124	28
Unusual items (after-tax) <sup>2</sup>	(21)	93	(12)
Net income to common shareholders after unusual items	\$ 266	\$ 217	\$ 16
Earnings per share before unusual items			
Basic	\$3.23	\$1.34	\$0.30
Fully diluted <sup>3</sup>	\$2.91	\$1.30	\$0.30
Average common shares outstanding (millions)	89	93	92

<sup>1</sup> 1999 equity loss excludes the \$19 million plant writedown/restructuring charge that is included in "Equity in earnings (losses) of affiliates" in the statement of income.

	<b>2000</b>	<b>1999</b>	<b>1998</b>
2 Unusual items (after-tax)			
Gain on sale of investment in Dynegy Inc.	\$ 21	\$ 184	\$ —
Loss on hedges of former economic exposures	—	(60)	—
Restructuring charge	(71)	(12)	(12)
Methanex plant writedown/restructuring	—	(19)	—
Tax rate adjustment	29	—	—
	\$ (21)	\$ 93	\$ (12)

<sup>3</sup> Fully diluted earnings per share after unusual items are \$2.71, \$2.19, and \$0.17 for 2000, 1999, and 1998 respectively.

**CHANGES IN NOVA CHEMICALS NET INCOME<sup>1</sup>**

<i>(unaudited; millions of dollars)</i>	<b>2000 Compared with 1999</b>	<b>1999 Compared with 1998</b>
Higher margins <sup>2</sup>	\$ 233	\$ 99
Higher sales volumes	27	163
Higher fixed costs <sup>3</sup>	(62)	(39)
Higher depreciation <sup>3</sup>	(33)	(4)
Lower (higher) foreign exchange and other	45	(20)
Lower (higher) interest expense	16	(15)
Higher tax expense	(78)	(61)
Increase in NOVA Chemicals' operated net income	148	123
Unusual items (after-tax) <sup>4</sup>	(114)	105
Higher (lower) equity earnings in Methanex <sup>5</sup>	52	(4)
Higher (lower) equity earnings in Dynegy	(37)	11
Higher preferred securities dividends and distributions	—	(34)
Increase in net income to common shareholders	\$ 49	\$201

<sup>1</sup> All line items prior to "Higher tax expense" are pre-tax amounts.

<sup>2</sup> Calculated as revenue less variable operating costs.

<sup>3</sup> Fixed costs and depreciation are higher compared with 1999, due primarily to the addition of Shell's polystyrene business.

<sup>4</sup> See footnote 2 to NOVA Chemicals Highlights table above.

<sup>5</sup> 1999 excludes Methanex writedown of \$19 million.



## OLEFINS/POLYOLEFINS

### LARGEST ETHYLENE CRACKER IN THE WORLD

In August 2000, NOVA Chemicals started up the largest ethylene cracker in the world at Joffre, Alberta. The 2.8 billion pound E3 ethylene plant, owned jointly with Dow, increases the site's ethylene capacity by 82% as shown below.

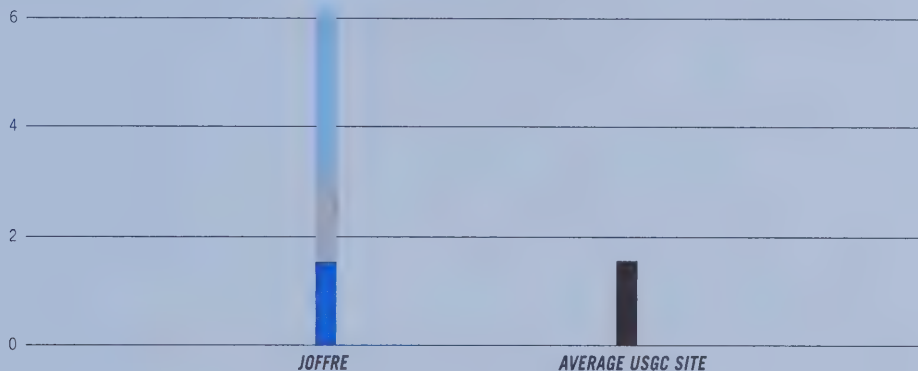
**ETHYLENE CAPACITY**  
billions of pounds

Joffre

E3

E2

E1



Including our share of E3, Joffre's ethane-based ethylene represents approximately 75% of our total ethylene capacity of 6.6 billion pounds per year. 20% of our ethane-based ethylene is sold on a cost-of-service basis and 40% is sold under contracts that relate to U.S. Gulf Coast (USGC) prices, and allow us to sell at no less than our costs. We use the remaining 40% to manufacture our polyethylene.

We purchase ethane by replacing the BTU content of the ethane extracted from the gas stream with the equivalent BTU content of natural gas plus a fixed fee for extraction and transportation. This gives NOVA Chemicals the distinct advantage of being able to directly hedge our ethane costs by hedging our natural gas purchases.

NOVA Chemicals' hedge positions for natural gas changed significantly at the end of the natural gas year on October 31, 2000. Prior to this date we were approximately 75% hedged on approximately 7 billion cubic feet of natural gas we use at Joffre each month. These hedge positions produced gains of \$55 million (after-tax) in 2000. From November 2000 until October 2001, we have crystallized hedges on a portion of our gas purchases that yield about \$2 million per month (after-tax). In addition, we purchased a call option covering the balance of our natural gas needs through March 2001, which limits the upside price to \$7.50 per mmbtu. This was done as insurance before it appeared that gas costs would sky rocket and consequently was inexpensive to do.

One quarter of our ethylene is made at our crude-oil-based flexi-cracker in Corunna, Ontario, of which 80% is used for polyethylene and 20% is used for styrene manufacture in Sarnia, Ontario.

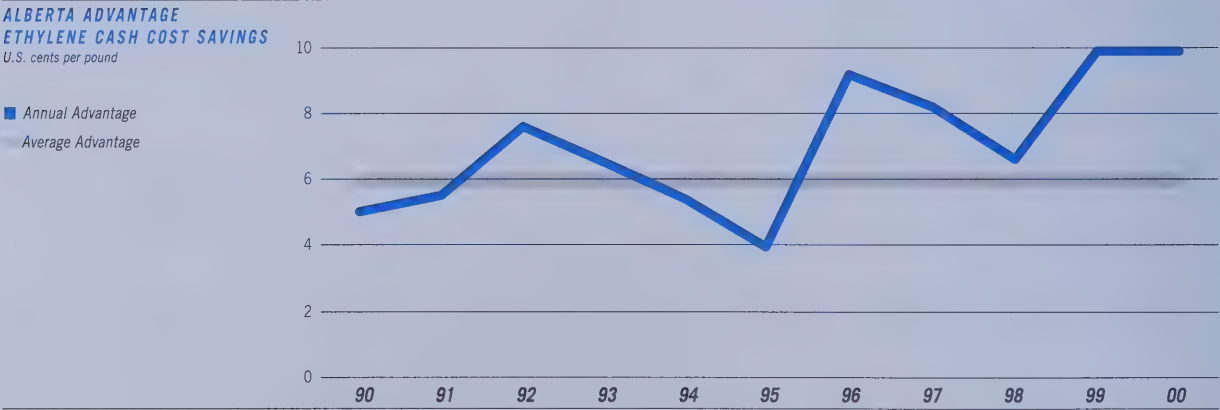
We produce a significant quantity of propylene, mixed butadiene-butenes, aromatics and hydrogen off-gas as co-products from our ethylene production. In 2000, we produced 4.8 billion pounds of co-products, of which 90% came from Corunna. The ethane crackers at Joffre are designed for maximum ethylene yields and therefore generate fewer co-products. At our flexi-cracker in Corunna, we have the capability to adjust our feedstocks and operating conditions to produce more or less of these various co-products, based on the margin which is available in the market at any point in time. Market prices for our co-products tend to be tied to energy prices. In 2000, NOVA Chemicals generated approximately 1.5 times the co-product revenues generated in 1999, primarily as a result of higher energy prices. In an environment of high crude oil prices, this revenue acts as a natural hedge against Corunna's feedstock costs.

**ALBERTA ADVANTAGED ETHYLENE**

Beyond our feedstock acquisition capability, NOVA Chemicals' Joffre complex enjoys an ethylene cash cost advantage that has averaged 6 cents per pound over the last ten years in comparison to a typical USGC producer, as shown below.

**ALBERTA ADVANTAGE  
ETHYLENE CASH COST SAVINGS**  
U.S. cents per pound

■ Annual Advantage  
■ Average Advantage



The Alberta Advantage is derived from three, approximately equal, elements, as shown on the next page.

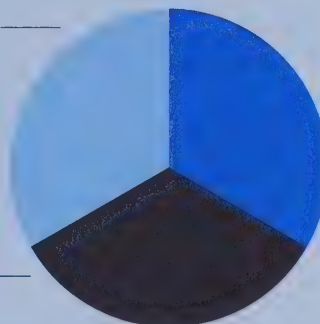
1. Natural gas prices in Alberta are expected to remain below the USGC market price by a differential reflecting the relative cost of moving natural gas to markets;
2. Alberta ethane extraction, gathering and transportation costs will remain cost advantaged because of the scale and efficiency of Alberta infrastructure relative to the USGC; and
3. Ethylene production costs are advantaged because of the scale of our plants relative to the USGC. The construction of our new E3 ethylene cracker improves our conversion cost advantage by approximately 10%.



Energy cost of ethane

Extraction and transportation

Conversion to ethylene



In both 1999 and 2000, the Alberta Advantage averaged 10 cents per pound, largely due to the higher USGC ethane costs caused by higher than usual crude oil prices. Towards the end of 2000, natural gas prices in the United States and Alberta climbed rapidly and our advantage was much closer to the historical level of 6 cents per pound.

Also late in the year, the Alliance pipeline project began transporting natural gas containing natural gas liquids, including ethane, out of Alberta. This will reduce the potential supply of ethane in Alberta and is expected to reduce the long-term potential for new ethylene production sites within Alberta. It is not expected to impact NOVA Chemicals' Alberta Advantage versus USGC ethane and propane crackers which is sustainable over the long-term at an average of at least 6 cents per pound. Since two of the three components are fixed cost advantages, it is not likely to fall below 4 cents per pound for any sustained period.

#### **POLYETHYLENE**

NOVA Chemicals has a total of 2.6 billion pounds per year of polyethylene capacity at three sites in Canada.

1. Mooretown, Ontario site has two high-density polyethylene (HDPE) gas-phase reactors capable of producing 450 million pounds per year and a low-density polyethylene (LDPE) reactor capable of producing 300 million pounds per year.
2. St.Clair River, Ontario site has two SCLAIRTECH™ solution lines with capacity of 600 million pounds per year split into approximately 55% HDPE and 45% linear low-density polyethylene (LLDPE).
3. Joffre, Alberta site currently has gas-phase LLDPE capacity of 1.3 billion pounds per year from two gas-phase reactors. A new Advanced SCLAIRTECH polyethylene plant (PE2) with a design capacity of 850 million pounds per year was mechanically complete in the fourth quarter of 2000. This new technology using a multiple reactor design is planned to start-up after commissioning is complete early in 2001. A start-up period of two to three months is expected before full commercial operation takes place. We anticipate the PE2 full operating capacity will ultimately reach 1 billion pounds per year.

The Advanced SCLAIRTECH technology has the capability to tailor polymer characteristics to specific customer needs. In the first few years of operation, our primary objective will be to introduce these products to the end-use applications where we expect they will bring the most value. Some of these end-uses include film, rotomolding and injection molding applications. In 2001, we expect to produce approximately 400 million pounds, largely for customer testing and for the demonstration of process equipment capabilities. Product will be introduced gradually in North America as determined by market demand. We expect a higher percentage of sales than normal will be exported in the first few years until North American product commercialization reaches the levels we have targeted.

#### **JOFFRE EXPANSION PROJECT**

In addition to the ethylene and polyethylene plants, the Joffre site expansion includes two other facilities. A cogeneration unit (owned 20% by NOVA Chemicals) began commercial operation in the fourth quarter of 2000. The cogeneration plant is Canada's largest and will help insulate us from electricity cost peaks.

Also, BP Canada Chemical Company (BP Canada) is building a Linear Alpha Olefins (LAO) plant, which is expected to be finished in the first half of 2001. Our LAO agreement with BP Canada will provide on-site supply of co-monomers, reducing costly shipments from the USGC to Joffre.

Total capital expenditures on the Joffre projects are now projected to be approximately \$1,015 million, 35% more than our original \$750 million estimate. This significant overrun was caused by late and over-engineered designs on the PE2 plant, resulting in construction sequencing problems and rework, and labor shortages in the overheated Alberta construction environment. The total also includes some capital to increase polyethylene production capacity to 1 billion pounds. Despite the increased cost, the project will exceed our minimum target of 16% after-tax return on investment.

#### **2000 ETHYLENE/POLYETHYLENE MARKET CONDITIONS**

North American ethylene markets were strong in the first half of the year. Price increases of 5 cents per pound were implemented as a result of strong demand, unplanned USGC plant outages and increasing feedstock costs. However as demand slowed in the second half of the year, prices softened. At year-end, feedstock costs turned sharply higher and ethylene prices remained at a level 2-3 cents per pound higher than they started the year.

NOVA Chemicals announced a total of four polyethylene price increases in 2000. Due to softer than expected demand and higher than normal customer inventories, only the first of these four increases was fully implemented. During the second half of the year polyethylene prices started to decline. By the end of 2000, prices were approximately 15% lower than at the beginning of the year. NOVA Chemicals increased export sales to offset the impact of these domestic market conditions.

Approximately 50% of our 2000 polyethylene sales were in the United States, 28% in Canada, and 12% in China, our largest-country markets. Beyond China, we exported an additional 3% to the rest of Asia, 5% to Europe and 2% to Latin America. Our 2000 record Chinese export sales were in response to soft North American demand and attractive net back margins as polyethylene prices in China remained relatively flat throughout the year.

### ***COST REDUCTION***

In 2000, the Olefins/Polyolefins business reduced variable feedstock costs with its prudent natural gas and crude oil acquisition programs. Feedstock costs were \$55 million (after-tax) lower than purchasing natural gas at market prices and \$5 million (after-tax) lower than purchasing crude oil at market prices.

We continue to build on our low-cost feedstock position at Joffre, Alberta. The start-up of E3 further improves our favorable ethylene conversion cost by 10%, and Joffre's cogeneration plant lowers the cost of the steam and electricity the site requires. Also, with the start-up of the LAO plant in 2001, the cost of co-monomers will be reduced.

### ***MARGIN MAXIMIZATION***

Our Polyethylene business has significantly increased its marketing effectiveness through the use of our Margin Model, an integrated information system first installed in 1999. We were able to increase margins by \$12 million (after-tax) in 2000 in addition to an improvement of \$19 million (after-tax) in 1999. |

The Margin Model uses information from SAP to provide real-time margin for every product going to every customer location. This allows us to maximize the total contribution dollars by optimizing the margin generated per reactor hour, not per pound. This information also allows us to determine the value of each of our market segments. Within each segment, we profile and explore the relative profitability of each customer. This allows us to target and grow the most profitable areas of our business, and to improve or de-emphasize less attractive areas.

### ***PRODUCT DEVELOPMENT TECHNOLOGY***

In 2000, we successfully transitioned our Advanced SCLAIRTECH Ziegler-Natta (Z-N) catalyst to our gas-phase polyethylene plant in Joffre. Numerous trials have demonstrated this new catalyst NOVACAT™ T to be a direct and superior replacement for conventional Z-N catalysts in commercial-scale production facilities. During 2001, we expect to fully commercialize this catalyst technology in our gas-phase plant, and realize benefits of improved reactor throughput and improved product range and performance.

Early in 2001, NOVA Chemicals announced an agreement to jointly develop and commercialize the NOVACAT T catalyst for BP's INNOVENE® gas-phase PE process. After successful scale-up, our catalysts will be offered for use by current and future BP licensees. All jointly-developed catalysts will be available globally for licensing, with revenues and costs being shared equally between the two partners. Revenues from these sales are expected to begin in 2002-2003.

In addition, we have developed several families of single site polymerization catalysts which, in a solution process, produce polymers with outstanding physical properties. This work is rapidly moving ahead and we are actively studying the application of this single site catalyst technology to gas-phase reactors.



**OLEFINS/POLYOLEFINS BUSINESS****FINANCIAL HIGHLIGHTS**

<i>(unaudited; millions of dollars except as noted)</i>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Revenue	\$ 2,228	\$ 1,671	\$ 1,614
EBITDA <sup>1</sup>	\$ 525	\$ 385	\$ 280
Depreciation	\$ 86	\$ 80	\$ 122
Operating income	\$ 439	\$ 305	\$ 158
Net income <sup>2</sup>	\$ 258	\$ 167	\$ 61
Capital expenditures			
Strategic	\$ 338	\$ 523	\$ 230
Sustaining	63	42	55
Total capital expenditures	\$ 401	\$ 565	\$ 285
Average capital employed <sup>3</sup>	\$ 987	\$ 897	\$ 852
After-tax return on capital employed <sup>4</sup>	27.6%	20.8%	9.5%

<sup>1</sup> Net income before interest, taxes, depreciation and amortization.

<sup>2</sup> Before distributions and dividends on preferred securities.

<sup>3</sup> Average capital employed equals cash expended on plant, property and equipment (net of accumulated depreciation) and working capital, and excludes assets under construction.

<sup>4</sup> Equals net income plus after-tax interest expense divided by average capital employed.

**AVERAGE USGC BENCHMARK PRICES<sup>1</sup>**

<i>(dollars per pound)</i>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Ethylene <sup>2</sup>	\$0.30	\$0.22	\$0.18
Polyethylene—linear low-density <sup>3</sup>	\$0.40	\$0.33	\$0.30
Weighted average polyethylene <sup>3</sup>	\$0.42	\$0.36	\$0.33

<sup>1</sup> Average benchmark prices are not intended to be actual prices realized by NOVA Chemicals or any other petrochemical company.

<sup>2</sup> Source: DeWitt and Company, Inc. Predominant Price.

<sup>3</sup> Benchmark prices weighted according to NOVA Chemicals' product mix. Source for benchmarks: Townsend Tarnell Inc. (TTI).

**POLYETHYLENE SALES VOLUMES**

<i>(millions of pounds)</i>	<b>2000</b>	<b>1999</b>	<b>1998</b>
NOVAPOL®			
LLDPE	1,327	1,233	1,143
LDPE	318	274	296
HDPE	452	485	457
SCLAIR®			
LLDPE and HDPE	603	600	562
Total	2,700	2,592	2,458

#### **2000 OLEFINS/POLYOLEFINS FINANCIAL PERFORMANCE**

Net income for the Olefins/Polyolefins business was \$258 million, up substantially from the \$167 million earned in 1999 and \$61 million earned in 1998. Stronger polyethylene prices, which averaged 6 cents per pound higher in 2000 versus 1999, were a significant factor in the year-over-year improvements. There were two other noteworthy factors which contributed to our strong performance in 2000. NOVA Chemical's Alberta Advantage averaged 10 cents per pound over a typical USGC producer. This is 4 cents per pound higher than our long-term average advantage. We also had an outstanding year with our natural gas hedging program. In 2000, these hedges improved Olefins/Polyolefins earnings by \$55 million (after-tax) versus acquiring these feedstocks at market price.

For the year 2000, we set a record for polyethylene sales. Volume increased by 4.2% over 1999 to 2.7 billion pounds. Much of this increase occurred in the international markets and once again highlighted the competitive strength that this flexibility gives to our business.

Despite high feedstock costs and declining margins in the fourth quarter, the Olefins/Polyolefins business earned an after-tax return on capital employed of 27.6% in 2000. This represents the highest return for this business since 1988.

#### **OUTLOOK**

High feedstock costs and a slowing North American economy translate into difficult business conditions for the first half of 2001. In response to declining margins, we have announced three price increases in the first quarter of 2001 totaling 16 cents per pound. We expect the first quarter of 2001 to represent a clear trough for the industry with improved performance after that point in time.

Despite the short-term problems, the long-term fundamentals remain strong. There will be new polyethylene capacity coming on stream over the next 9 to 12 months. Beyond 2001, we believe that planned additions will not be able to keep up with demand growth. We expect to see industry operating rates reach their upper limits by 2003.

## STYRENICS

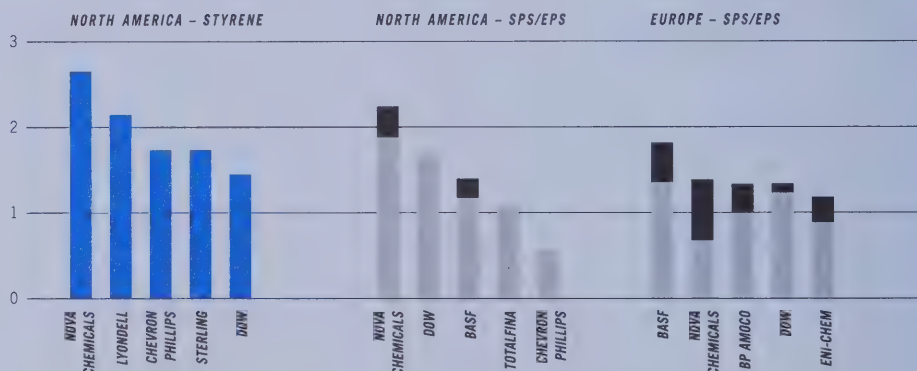
## A LEADER ON TWO CONTINENTS

NOVA Chemicals is the largest North American producer of solid polystyrene (SPS) and expandable polystyrene (EPS) with a combined capacity of 2.2 billion pounds per year. Early in 2000, we acquired Shell's European styrenic polymers business to become the second largest producer in Europe with 1.4 billion pounds of annual capacity. Today, our 3.6 billion pound total annual capacity for styrenic polymers ranks third worldwide.

## STYRENICS RANKINGS

billions of pounds

■ Styrene  
■ EPS  
■ SPS



Late in 2000, we announced the closure of our Joliet, Illinois facility during the first quarter of 2001. The site was acquired in 1998 from Huntsman Corporation (Huntsman) and has an SPS production capacity of 230 million pounds per year, representing 3% of the total North American SPS capacity. This closure will help ensure NOVA Chemicals maintains a low-cost structure and, at the same time, help bring our output in line with market demand. With this closure, we have a total of 11 sites operating in North America and Europe.

In addition, we have North American styrene monomer production capacity of 2.6 billion pounds per year. Our facility in Bayport, Texas has a capacity of 1.25 billion pounds per year and in April 2000 we completed the expansion of our Sarnia, Ontario facility increasing its capacity from 600 to 950 million pounds per year. We have an equity interest in Lyondell Chemical Company's Channelview, Texas site representing 400 million pounds per year of styrene monomer capacity. We also have a long-term tolling arrangement at Channelview for an additional 400 million pounds per year.

Approximately 70% of our global styrene needs are produced internally; the balance is made up of medium-term purchase agreements and cross-continent product swaps with other producers. These arrangements have been structured to allow us to purchase more styrene monomer than we need for our polymer production. NOVA Chemicals is an active marketer of styrene monomer in the merchant markets of North America, Europe and Asia. Our "long" position in styrene monomer gives us the flexibility to minimize our logistics costs and take advantage of rapid increases in monomer prices. It also provides multiple supply sources for our downstream plants and external customers.



#### **FLOW-THROUGH FEEDSTOCK ADVANTAGE**

NOVA Chemicals produces approximately 20% of the benzene and approximately 60% of the ethylene consumed in our styrene monomer production. We transfer approximately 175 million pounds per year of Alberta Advantaged ethylene into the styrenics supply chain.

There are two mechanisms for this transfer. First we physically move ethylene from Alberta to Sarnia through the Cochin Pipeline, in which we have a 20% ownership interest. Second, NOVA Chemicals conducts product swaps from Canada to the USGC and Europe.

#### **2000 STYRENICS MARKET CONDITIONS**

In North America, NOVA Chemicals achieved a total of 12 cents per pound in SPS price increases in the first half of the year. During this period, our operating rates were approximately 90%, consistent with the industry average. Many customers built high levels of inventory in the first half of the year in an attempt to delay paying higher resin prices. In the second half of the year, inventory de-stocking and weak demand caused a reduction in average industry operating rates, as well as our own, to approximately 75%. This caused prices to slowly decline through year-end. For the year, NOVA Chemicals' average selling price was 38% higher than in 1999.

In Europe, we implemented a total of 12 cents per pound in SPS price increases. During the second half of 2000, SPS demand in Europe improved, however higher prices were slow to follow.

In North America, NOVA Chemicals achieved a total of 16 cents per pound in EPS price increases. Very strong demand growth in the first half of the year was balanced by soft demand towards the end of the year, largely due to a slowdown in the construction industry.

In Europe, we implemented a total of 18 cents in EPS price increases over the course of 2000 but market demand dropped consistently. Prices increased during the first half of the year but fell off quickly during the second half of the year.

NOVA Chemicals announced HPS price increases across the product line. Most of the increases were implemented by year-end. In the first half of 2000, demand was relatively flat but gained strength during the second half of the year. The slowdown in the North American economy did not affect the HPS business to the same extent as in SPS or EPS.

#### **COST REDUCTION**

In 2000, the Styrenics business focus was to improve profitability through fixed cost reductions, asset utilization and margin maximization. The Styrenics business continues to realize targeted acquisition synergies ahead of schedule. We reached our target of \$65 million annually (after-tax) of synergies from the Huntsman acquisition one year ahead of schedule, and the Shell synergies of \$3.5 million (after-tax) realized to-date are ahead of plan by 40%.

The completion of the Sarnia styrene plant de-bottleneck decreased the site's fixed costs per pound of styrene produced by approximately 20%.

### **MARGIN MAXIMIZATION**

As we continue to improve Styrenics profitability, our information systems capability becomes integral to our success. SAP 4.6 was first introduced into the Styrenics business in 1999 to enhance the speed and quality of decision-making. Building on the earlier success in the use of our Margin Model in the Olefins/Polyolefins business, a similar system was put in place for use in the North American Styrenics business. Implementation of the completed Margin Model began in the third quarter of 2000. Programs are currently underway for improved product and customer portfolio management.

A significant project, entitled 1World, was initiated in February 2000 with the acquisition of Shell's styrenics facilities to fully integrate NOVA Chemicals' European and North American businesses. The initiative, which will be complete in February 2001, just one year after the Shell acquisition, will result in a single information system operating throughout NOVA Chemicals' worldwide businesses and will enable us to exploit proven programs like the Margin Model to enhance profitability in all operations.

### **PRODUCT DEVELOPMENT TECHNOLOGY**

In 2000, NOVA Chemicals successfully commercialized a number of new HPS products for the packaging, consumer goods and medical products markets. These include, for instance, a styrene acrylic copolymer with excellent clarity for translucent colored printer covers and trays, and a high-impact, ignition-resistant polystyrene developed for large-screen television cabinets and photocopiers.

During 2000, we made several investments to improve our capability to develop and introduce new technology to the marketplace. We added an experimental foam sheet line at our Beaver Valley Technology Center (Monaca, Pennsylvania) to increase our knowledge of foam resin structures and improve our speed to market for new products. We started up a new commercial twin-screw extrusion line at Chesapeake, Virginia that expands our capability to produce compounded grades and custom-color products for consumer electronics and other high-growth markets.

Also, we continue to develop the technology we acquired from Shell. We announced plans for the construction of a new Styrenics Technology Center in Breda, the Netherlands in 2001. The center will house project teams working on basic research and development as well as application development and market support for our European customers. It will enable NOVA Chemicals to effectively integrate European and North American research and development activities.

## STYRENICS BUSINESS

### FINANCIAL HIGHLIGHTS

<i>(unaudited; millions of dollars except as noted)</i>	2000 <sup>1</sup>	1999 <sup>2</sup>	1998
Revenue	\$1,859	\$1,273	\$ 542
EBITDA <sup>3</sup>	\$ 195	\$ 93	\$ (8)
Depreciation	\$ 102	\$ 75	\$ 29
Operating income (loss)	\$ 93	\$ 18	\$ (37)
Net income (loss) <sup>4</sup>	\$ 42	\$ (12)	\$ (35)
Capital expenditures			
Strategic	\$ —	\$ 5	\$ 66
Sustaining	39	50	16
Total capital expenditures	\$ 39	\$ 55	\$ 82
Average capital employed <sup>5</sup>	\$1,546	\$1,334	\$ 465
After-tax return on capital employed <sup>6</sup>	4.2%	0.5%	(5.4%)

1 2000 includes amounts related to acquisition of Shell's polystyrene business.

2 1999 includes amounts related to acquisition of Huntsman's polystyrene business.

3 Net income (loss) before interest, taxes, depreciation and amortization.

4 Before distributions and dividends on preferred securities.

5 Average capital employed equals cash expended on plant, property and equipment (net of accumulated depreciation) and working capital, and excludes assets under construction.

6 Equals net income (loss) plus after-tax interest expense divided by average capital employed.

### AVERAGE USGC BENCHMARK PRICES<sup>1</sup>

<i>(dollars per pound)</i>	2000	1999	1998
Styrene <sup>2</sup>	\$ 0.40	\$ 0.27	\$0.24
Weighted average polystyrene <sup>3</sup>	\$ 0.50	\$ 0.37	\$0.38

1 Average benchmark prices are not intended to be actual prices realized by NOVA Chemicals or any other petrochemical company.

2 Source: CMAI Low Contract.

3 Average benchmark prices and NOVA Chemicals' actual realized prices (for certain products where there are no benchmarks available), weighted according to NOVA Chemicals' polystyrenic product mix. Includes EPS, but excludes HPS, DYLARK® and other styrenic polymers. Source for benchmark prices: TTI.

### POLYSTYRENE SALES VOLUMES

<i>(millions of pounds)</i>	2000 <sup>1</sup>	1999 <sup>2</sup>	1998
Polystyrene (including EPS)	2,731	2,498	1,055
High-performance styrenics, DYLARK and other	304	350	155
Total	3,035	2,848	1,210

1 2000 volumes include sales starting February 1, 2000 related to acquisition of Shell's polystyrene business.

2 1999 volumes include sales starting January 1, 1999 related to acquisition of Huntsman's polystyrene business.



**2000 STYRENICS FINANCIAL PERFORMANCE**

In 2000, the Styrenics business returned to profitability for the first time since 1995. Net income for the Styrenics business was \$42 million, up substantially from the \$12 million net loss in 1999 and \$35 million net loss in 1998. The \$54 million improvement over 1999 was largely due to increased margins from higher prices and cost improvements achieved through acquisition synergies. Weighted average benchmark prices averaged 13 cents per pound higher in 2000 compared to 1999. Partially offsetting these improvements were a 59% increase in contract benzene prices and a 36% increase in contract ethylene prices over 1999.

**STYRENICS AFTER-TAX  
EARNINGS IMPROVEMENT**

1998 to 1999	\$ 23 million
1999 to 2000	\$ 54 million
1998 to 2000	\$ 77 million

**OUTLOOK**

As the economy slowed in the second half of 2000, we saw a corresponding decrease in demand for styrenic products in both North America and Europe. We expect these difficult market conditions to continue for the first half of 2001. As one of the world leaders in styrenics, we have taken a number of responsible steps to manage our supply of both solid and expandable polystyrene. We have curtailed production at plants in North America and Europe and are maintaining inventories at below historical levels. In addition, we have permanently closed our solid polystyrene plant in Joliet as we pursue cost improvements across our business.

After the first half of 2001, the outlook for this business is very strong. The unfavorable market conditions over the last four years have limited the amount of reinvestment in this industry. Little new capacity is coming on stream over the next three years in the industry and we expect the supply/demand balance to tighten significantly in 2002/2003. With the timing of our acquisitions and the amount of leverage NOVA Chemicals now has to styrenic polymer capacity, we expect this business to contribute significantly to shareholder value creation.

## EQUITY INVESTMENTS

### METHANEX

#### FINANCIAL HIGHLIGHTS

(millions of dollars, except as noted)	2000	1999	1998
Equity earnings (loss) <sup>1</sup>	\$ 23	\$ (29)	\$ (25)
Non-recurring items <sup>2</sup>	—	(19)	—
Net equity earnings (loss)	\$ 23	\$ (48)	\$ (25)
Investment in Methanex <sup>4</sup>	\$ 366 <sup>3</sup>	\$ 377	\$ 398
Market value of investment <sup>5</sup>	\$ 302	\$ 123	\$ 238
Number of shares held by NOVA Chemicals (millions)	46.9	46.9	46.9
Percent ownership <sup>6</sup>	29.2%	27.1%	27.1%

1 Beginning in January 2000, NOVA Chemicals adopted the Canadian Institute of Chartered Accountants new standards regarding future income taxes which requires companies to record future (non-cash) income taxes on undistributed equity earnings (see note 2 to the financial statements).

2 NOVA Chemicals' share of asset write-down and restructuring charge in 1999.

3 Investment amount shown is net of future income tax liability of \$34 million.

4 Original investment was \$265 million.

5 Based on year-end closing price of Methanex shares on NASDAQ.

6 Increased as a result of not participating in Methanex's share buy-back program.

#### REVIEW

In 2000, NOVA Chemicals' investment in Methanex yielded \$23 million in after-tax earnings versus a loss before non-recurring items of \$29 million in 1999. Strong demand, poor operating performance by other methanol producers, industry rationalization and higher natural gas prices in North America led to a significant increase in the price of methanol in 2000. Higher prices and strong sales led to a substantial improvement in earnings and cash flow.

In 2000, Methanex undertook a number of strategic initiatives:

- joined the California Fuel Cell Partnership as an associate partner in order to represent issues pertaining to methanol;
- signed a letter of intent with Shell and Woodside Energy for the supply of natural gas for a syngas facility in Northern Australia;
- obtained exclusive rights to the output from Sterling Chemicals' 450,000 tonne per year methanol plant in Texas City. Effective July 1, 2000, Methanex elected to shut down this facility;
- closed its Kitimat facility on July 1, 2000, for a period of up to one year;
- entered into an agreement with DaimlerChrysler AG, BP, BASF, Statoil and XCELLSIS to evaluate the introduction and commercialization of methanol fuel cell vehicles;
- acquired the full output of the 850,000 tonne per year Titan methanol plant in Trinidad, as well as a 10% interest in the facility;
- acquired ICI's European methanol business. The 525,000 tonne methanol plant in the UK, which was not part of the acquisition, will be mothballed by ICI in April 2001;
- entered into a strategic alliance with Mitsubishi Corporation and Mitsui & Co. Ltd. to promote methanol as the fuel of choice for fuel cell vehicle applications in Japan; and
- completed a program to repurchase 12.5 million of its common shares at a price below book value.

## LIQUIDITY AND CAPITAL RESOURCES

### \$611 MILLION GENERATED IN FUNDS FROM OPERATIONS

NOVA Chemicals generated \$611 million in funds from operations in 2000, up 79% from 1999 levels, largely as a result of a significant increase in net income. The Corporation's investment in working capital also increased by \$313 million from 1999 levels due to rising feedstock costs and product selling prices. Inventories increased 40%, to \$533 million, by the end of 2000.

### \$440 MILLION INVESTED IN CAPITAL PROJECTS AND \$212 MILLION IN THE SHELL ACQUISITION

In 2000, capital of \$440 million was invested in property, plant and equipment, mainly at Joffre. With the cogeneration unit and E3 commencing full production in December 2000, and PE2 scheduled for start up in early 2001, capital investment will return to a more typical level of less than \$250 million in 2001, to be funded from cash from operations.

In January 2000, NOVA Chemicals completed the acquisition of Shell's European SPS and EPS business for \$185 million plus working capital of approximately \$27 million.

### DEBT TO TOTAL CAPITALIZATION

During 2000, NOVA Chemicals invested significant capital in the Shell acquisition, capital expansion at Joffre and the share buy-back program. Debt to total capitalization remained flat at 43% from year to year, on the strength of very positive operating cash flow of \$351 million and after-tax proceeds of \$567 million from the sale of our interest in Dynegy Inc.

Early in 2001, NOVA Chemicals expanded its credit facilities from \$500 million to approximately \$650 million to ensure financial flexibility. At that time, NOVA Chemicals had unutilized credit facilities of approximately \$220 million. Funding for ongoing cash requirements will come from cash flow from operations and committed credit facilities.

Over the course of the commodity chemicals cycle, NOVA Chemicals will continue to target a debt to total capitalization ratio in the range of 40% for maximum financial flexibility and continued ready access to capital markets.

### CAPITALIZATION

December 31 (millions of dollars, except as noted)	2000	1999	1998
Long-term debt <sup>1</sup>	\$ 1,448	\$ 1,488	\$ 1,281
Shareholders' equity <sup>2</sup>	1,926	1,964	1,512
Total capitalization	\$ 3,374	\$ 3,452	\$ 2,793
Debt to total capitalization	42.9%	43.1%	45.9%
Interest coverage on long-term debt	5.6x	3.1x	1.5x
EBITDA <sup>3</sup> /interest expense	16.0x	7.5x	5.5x

<sup>1</sup> Net of available cash, and includes current portion and bank loans.

<sup>2</sup> The decline in shareholders' equity was a result of NOVA Chemicals' share buy-back program.

<sup>3</sup> Earnings before interest, taxes, depreciation and amortization.

### MATURITIES THROUGH TO 2005

NOVA Chemicals has little long-term debt maturing within the next five years. Payments of \$56 million are required over the next four years and a \$100 million 7% debenture issue is due September 15, 2005.



#### **INTEREST EXPENSE OF \$45 MILLION IN 2000**

Net interest expense declined \$16 million in 2000 as a result of lower debt levels, excluding debt to finance capital expenditures. Interest on debt associated with construction at Joffre is capitalized as a cost of construction until the plants are put into commercial service. In 2000, approximately \$59 million of construction-related interest was capitalized.

For further details on interest expense, please see note 9 to the financial statements.

#### **HEDGING ACTIVITIES**

The Audit, Finance and Risk Committee of NOVA Chemicals' Board of Directors regularly reviews foreign exchange and commodity hedging activity and monitors compliance with NOVA Chemicals' hedging policy. NOVA Chemicals' policy prohibits the use of financial instruments for speculative purposes and limits hedging activity to the underlying net economic exposure.

For further details on hedging activities, please see note 23 to the financial statements.

#### **FOREIGN EXCHANGE HEDGING**

NOVA Chemicals has a hedging program of approximately \$600 million equivalent of Canadian dollar costs per year at an average exchange rate of one Canadian dollar = U.S. 70 cents. In 2000, the Canadian dollar averaged 67 cents per U.S. dollar. If NOVA Chemicals had not entered into this hedging program, after-tax earnings in 2000 would have been approximately \$16 million higher. A total of \$1.2 billion of hedges remain in place at December 31, 2000, extending out to March 2003. NOVA Chemicals does not intend to add to the size or term of this hedging program.

#### **COMMODITY HEDGING AND FEEDSTOCK ACQUISITION**

In 2000, NOVA Chemicals purchased approximately 27 million barrels of crude oil, natural gas liquids and condensates and 82 billion cubic feet of natural gas to fulfil our proprietary feedstock requirements.

NOVA Chemicals manages the exposure to fluctuating commodity prices on its physical feedstock requirements by varying the mix of fixed and floating price contracts and by entering into commodity futures contracts. The extent to which hedging instruments are used depends on market conditions and requires adherence to NOVA Chemicals' hedging policy. NOVA Chemicals limits its position in feedstock futures markets to its proprietary feedstock requirements and does not use hedging instruments for speculative purposes.

During the gas year which ended in October 2000, NOVA Chemicals' natural gas feedstock requirements were 75% hedged. For the gas year which began on November 1, the Corporation has locked in after-tax hedging gains of approximately \$22 million. The gains are recognized as a reduction in the cost of natural gas feedstock purchases during the period in which the positions mature. In addition, NOVA Chemicals has capped 75% of its natural gas requirements through March 31, 2001 at \$7.50 per mmbTU.

NOVA Chemicals has additional crude oil and refined product commodity futures, options and swaps outstanding with an estimated fair market value of \$5 million at the end of the year.

**DIVIDENDS AND DISTRIBUTIONS**

NOVA Chemicals pays dividends on its common shares, currently at the rate of 10 cents Cdn. per quarter. There are no material restrictions on our ability to declare and pay dividends on our common shares. The declaration and payment of dividends is at the discretion of the Board of Directors of NOVA Chemicals who will consider earnings, capital requirements, the financial condition of NOVA Chemicals and other relevant factors. It is, however, our intention to retain most of our earnings to support current operations, fund capital-expansion projects, acquisitions, and common share repurchases that management believes will result in share price appreciation.

NOVA Chemicals pays distributions on its preferred securities on a quarterly basis, at an annual rate of 9.5% on the \$210 million issue and 9.04% on the \$172.5 million issue. Distributions are tax deductible. NOVA Chemicals may, under certain conditions, elect to defer payment of distributions on the securities for up to 20 consecutive quarterly periods. No distributions have been deferred to date.

In 2000 and the first quarter of 2001, NOVA Chemicals paid dividends at a rate of 6.95% on the \$198 million of retractable preferred shares related to the Huntsman acquisition. Beginning in April 2001, the rate is 5.95%. Please see note 12 to the financial statements for information related to dividend payments in 2001 and beyond.

**ACCOUNTING STANDARDS**

Canadian accounting standards will require NOVA Chemicals to implement the provisions of one new standard, which will be effective January 1, 2001.

The new Earnings Per Share standard, similar to the current U.S. approach, requires the use of the treasury stock method for determining the dilutive effect of stock options and warrants. This differs from the current standard, which utilizes the imputed earnings approach. Proceeds from the incremental shares issued, where options or warrants are dilutive, are assumed to be used to repurchase common shares under the treasury stock method. Under the imputed earnings method, these funds are assumed to be used to repay debt or to be invested at current rates. Fully diluted earnings per share for the year ended December 31, 2000, would have been \$2.84 if calculated under the new methodology.

## CONSOLIDATED SIX-YEAR REVIEW

NOVA Chemicals Corporation

(unaudited; millions of U.S. dollars,  
except per share amounts, ratios and miscellaneous)<sup>1</sup>

	2000	1999	1998	1997	1996	1995
<b>OPERATING RESULTS</b>						
Revenue	\$3,916	2,808	2,075	2,285	2,069	2,077
Operating income	\$ 414	305	103	229	271	510
Net income before unusual items <sup>2</sup>	\$ 287	124	28	152	175	347
Net income	\$ 302	253	18	111	153	354
Total assets	\$4,688	4,559	3,580	2,687	2,635	2,316
<b>CAPITALIZATION</b>						
Current bank loans <sup>3</sup>	\$ 25	—	—	57	—	—
Long-term debt <sup>3,4</sup>	1,423	1,488	1,281	726	571	415
Shareholders' equity <sup>5</sup>	1,926	1,964	1,512	1,173	1,257	1,194
Total capitalization	\$3,374	3,452	2,793	1,956	1,828	1,609
<b>CASH FLOW DATA</b>						
Plant, property & equipment additions	\$ 440	620	367	223	175	93
Funds from operations	\$ 611	342	170	254	281	478
Net debt additions (repayments) <sup>3,6</sup>	\$ (38)	198	486	23	50	(105)
<b>DATA PER COMMON SHARE<sup>7</sup></b>						
Net income before unusual items <sup>2</sup> —basic	\$ 3.23	1.34	0.30	1.65	1.90	3.77
—fully diluted	\$ 2.91	1.30	0.30	1.65	1.90	3.77
Net income—basic	\$ 3.00	2.35	0.17	1.21	1.66	3.85
—fully diluted	\$ 2.71	2.19	0.17	1.21	1.66	3.85
Cash flow <sup>8,9</sup> —basic	\$ 3.96	4.27	2.15	2.47	1.34	6.45
—fully diluted	\$ 3.34	3.67	2.15	2.47	1.34	6.45
Common shareholders' equity at year-end <sup>5,9</sup>	\$16.52	15.58	12.96	12.75	13.66	12.98
<b>RATIOS</b>						
Return on average common equity <sup>10</sup>	21.2%	9.9	2.3	12.2	14.1	37.4
Total debt to capitalization <sup>6</sup>	42.9%	43.1	45.9	40.0	31.2	25.8
Funds flow coverage of financial charges <sup>11</sup>	6.0x	4.2x	3.6x	5.3x	7.1x	13.9x
<b>MISCELLANEOUS DATA</b>						
Employees at year-end <sup>12</sup>	4,700	4,700	4,200	3,400	3,400	2,700

1 For all periods prior to July 2, 1998, Canadian dollar amounts have been restated in U.S. dollars using an exchange rate of \$1.00 Canadian = U.S. \$0.68.

2 Net income before other gains and losses, restructuring charges, NOVA Chemicals' share of non-recurring and unusual items of equity investments and after preferred securities dividends and distributions.

3 Net of cash available for debt repayment.

4 Long-term debt includes current portion of debt.

5 All years prior to 1998 are net of advances to parent and affiliates.

6 Includes current bank loans.

7 Assumes 89 million weighted-average common shares outstanding in 2000 (93 million in 1999, and 92 million in all other comparative periods).

8 Basic cash flow earnings per share is computed as cash from operations divided by weighted-average common shares outstanding. Fully diluted cash flow earnings per share assumes weighted-average common shares outstanding of 105 million in 2000 (108 million in 1999 and 92 million in all other comparative periods).

9 2000, 1999, and 1998 assume the retractable preferred shares were exchanged for 8.5 million common shares.

10 Net income to common shareholders before unusual items divided by average common equity excluding preferred securities and retractable preferred shares. 1997 and prior average common equity is net of advances to parent and affiliates.

11 Funds from operations plus interest expense (net) less interest income divided by gross interest expense.

12 1999 includes the addition of Shell employees; 1998 includes the addition of Huntsman employees.

## SUMMARIZED QUARTERLY FINANCIAL INFORMATION

Three months ended (unaudited; millions of U.S. dollars, except per share amounts)	March 31		June 30		September 30		December 31	
	2000	1999	2000	1999	2000	1999	2000	1999
Revenue	\$ 938	606	970	684	988	734	1,020	784
Operating income (loss)	\$ 125	34	175	86	158	112	(44)	73
Net income (loss)	\$ 78	6	126	40	101	62	(3)	145
Net income (loss)								
per share <sup>1</sup> —basic	\$0.75	(0.02)	1.30	0.34	1.05	0.57	(0.14)	1.46
—fully diluted	\$0.69	(0.02)	1.15	0.34	0.93	0.54	(0.14)	1.33

1 Assumes 86 million weighted-average common shares outstanding in the quarter ended December 31, 2000 (88 million in September 30, 2000; 90 million in June 30, 2000; 92 million in March 31, 2000; 93 million in December 31, 1999; and 92 million in all other periods).



**TO THE SHAREHOLDERS OF NOVA CHEMICALS CORPORATION**

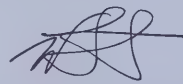
The consolidated financial statements and other financial information included in this annual report have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting principles and methods and reasonable estimates have been used in the preparation of this information. They also ensure that all information presented is consistent.

Management is also responsible for developing internal controls over the financial reporting process. The internal control system includes an internal audit function and an established business conduct policy. Management believes the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports. Management also believes that NOVA Chemicals' operations are conducted in conformity with the law and with a high standard of business conduct.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit, Finance and Risk Committee. The Committee, which consists solely of non-management directors, reviews the financial statements and annual report and recommends them to the Board for approval. The Committee meets with management, internal auditors and external auditors to discuss internal controls, auditing matters, and financial reporting issues. Internal and external auditors have full and unrestricted access to the Audit, Finance and Risk Committee. The Committee also recommends a firm of external auditors to be appointed by the shareholders.



Jeffrey M. Lipton  
President & Chief Executive Officer  
February 20, 2001  
Calgary, Canada



Wayne E. Lunt  
Senior Vice President & Chief Financial Officer

AUDITORS' REPORT

**TO THE SHAREHOLDERS OF NOVA CHEMICALS CORPORATION**

We have audited the consolidated balance sheets of NOVA Chemicals Corporation as at December 31, 2000, 1999, and 1998 and the consolidated statements of income and reinvested earnings and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the management of NOVA Chemicals Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NOVA Chemicals Corporation as at December 31, 2000, 1999, and 1998 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2000 in accordance with accounting principles generally accepted in Canada.

February 20, 2001  
Calgary, Canada

  
Ernst & Young LLP  
Chartered Accountants

# CONSOLIDATED STATEMENTS OF INCOME AND REINVESTED EARNINGS

NOVA Chemicals Corporation

Year ended December 31 (millions of U.S. dollars, except per share amounts)	2000	1999	1998
<b>REVENUE</b>	<b>\$3,916</b>	<b>\$2,808</b>	<b>\$2,075</b>
Feedstock and operating costs	2,943	2,141	1,636
Research and development	41	31	29
Selling, general and administrative	212	158	138
Restructuring charges (note 16)	118	18	18
Depreciation	188	155	151
	3,502	2,503	1,972
Operating income	414	305	103
Interest expense (notes 4 and 9)	(45)	(61)	(46)
Equity in earnings (losses) of affiliates (note 6)	32	(11)	1
Other gains (note 17)	32	251	2
	19	179	(43)
Income before income taxes	433	484	60
Income taxes (note 18)	(131)	(231)	(42)
<b>NET INCOME</b>	<b>302</b>	<b>253</b>	<b>18</b>
Reinvested earnings, beginning of year	814	627	804
Repurchased shares (note 13)	(109)	—	—
Change in accounting policy (note 2)	(24)	—	—
Common share dividends	(23)	(25)	(12)
Preferred securities dividends and distributions	(36)	(36)	(2)
Preferred securities issue costs	—	(5)	(7)
Merger-related transaction costs and adjustments (note 1)	—	—	(7)
Elimination of intercompany advances to parent on amalgamation (note 1)	—	—	(167)
Reinvested earnings, end of year	\$ 924	\$ 814	\$ 627
Weighted-average number of common shares outstanding (millions)	89	93	92
Net income per common share—basic	\$ 3.00	\$ 2.35	\$ 0.17
—fully diluted	\$ 2.71	\$ 2.19	\$ 0.17

See accompanying notes to consolidated financial statements.

# CONSOLIDATED BALANCE SHEETS

NOVA Chemicals Corporation

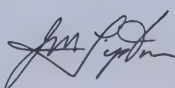
December 31 (millions of U.S. dollars)	2000	1999	1998
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 27	\$ 59	\$ 37
Accounts receivable (note 4)	385	226	348
Inventories (note 5)	533	380	280
Dynegy sale proceeds receivable	—	542	—
	945	1,207	665
Investments and other assets (note 6)	447	589	733
Plant, property and equipment, net (note 7)	3,296	2,763	2,182
	<b>\$4,688</b>	<b>\$4,559</b>	<b>\$3,580</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Bank loans	\$ 28	\$ —	\$ —
Accounts payable and accrued liabilities (note 8)	551	563	473
Long-term debt installments due within one year (note 9)	17	385	17
	596	948	490
Long-term debt (note 9)	1,406	1,140	1,280
Deferred credits (note 10)	760	507	298
	<b>2,762</b>	<b>2,595</b>	<b>2,068</b>
<b>SHAREHOLDERS' EQUITY</b>			
Preferred securities (note 11)	383	383	210
Retractable preferred shares (note 12)	198	198	198
Common shares (note 13)	460	497	492
Cumulative translation adjustment	(39)	72	(15)
Reinvested earnings	924	814	627
	1,926	1,964	1,512
Contingencies and commitments (notes 9 and 21)			
	<b>\$4,688</b>	<b>\$4,559</b>	<b>\$3,580</b>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Kerry L. Hawkins, Director



Jeffrey M. Lipton, Director



# CONSOLIDATED STATEMENTS OF CASH FLOWS

NOVA Chemicals Corporation

Year ended December 31 (millions of U.S. dollars)	2000	1999	1998
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 302	\$ 253	\$ 18
Depreciation	188	155	151
Future income taxes	93	94	2
Other (gains) and losses (net of current tax)	60	(173)	—
Equity in (earnings) losses of affiliates	(32)	11	(1)
Other	—	2	—
Funds from operations	611	342	170
Changes in non-cash working capital (note 19)	(260)	53	28
Cash from operations	351	395	198
<b>INVESTING ACTIVITIES</b>			
Dynergy sale proceeds	741	—	—
Huntsman acquisition (note 3)	—	—	(783)
Shell acquisition (note 3)	(212)	—	—
Plant, property and equipment additions	(440)	(620)	(367)
Long-term investments and other assets	(8)	(12)	(6)
Changes in non-cash working capital (note 19)	(186)	17	—
	(105)	(615)	(1,156)
<b>FINANCING ACTIVITIES</b>			
Increase (decrease) in current bank loans	28	—	(57)
Huntsman acquisition debt financing	—	—	585
Long-term debt additions	170	272	10
Long-term debt repayments	(385)	(187)	(36)
Increase in revolving debt	115	134	—
Preferred securities issued	—	165	203
Retractable preferred shares issued	—	—	198
Preferred securities dividends and distributions	(36)	(36)	(2)
Common shares issued	4	5	—
Common shares repurchased	(150)	—	—
Common share dividends	(23)	(25)	(12)
Intercompany and other	—	—	24
Changes in non-cash working capital (note 19)	(1)	(86)	82
	(278)	242	995
Increase (decrease) in cash and cash equivalents	(32)	22	37
Cash and cash equivalents, beginning of year	59	37	—
Cash and cash equivalents, end of year	\$ 27	\$ 59	\$ 37

See accompanying notes to consolidated financial statements.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOVA Chemicals Corporation

All amounts in U.S. dollars unless otherwise noted

### **1. BASIS OF PRESENTATION**

On July 2, 1998, NOVA Corporation was split off as an independent, publicly traded, commodity chemical company following the merger of NOVA Corporation and TransCanada Pipelines Limited. Results from operations relating to the period from January 1, 1998, to July 1, 1998, represent NOVA Chemicals Ltd., which accounted for approximately 99% of the ongoing operations of NOVA Corporation as at July 2, 1998. On December 31, 1998, NOVA Chemicals Ltd. changed its name to NOVA Chemicals Corporation. On January 1, 1999, NOVA Corporation and NOVA Chemicals Corporation amalgamated and the resulting corporation adopted the name NOVA Chemicals Corporation ("NOVA Chemicals" or the "Corporation").

Effective December 31, 1999, the Corporation began measuring its consolidated financial statements in U.S. dollars. With the increase in operations outside of Canada, the currency most representative of the Corporation's primary economic environment has changed to the U.S. dollar. For periods prior to December 31, 1999, NOVA Chemicals has reported its financial results in U.S. dollars while measuring its consolidated financial statements in Canadian dollars.

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and the proportionate share of accounts of its joint ventures. They have been prepared by management on the historical cost basis in accordance with accounting principles generally accepted in Canada ("GAAP"). These accounting principles are different in some respects from those generally accepted in the United States and the significant differences are described in Note 24, "United States Accounting Principles."

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **COST OF SERVICE**

Under the terms of certain sales agreements, the Corporation sells ethylene on a take-or-pay basis, for a price determined by a cost-of-service formula that includes cost of feedstock and fuel, operating expenses, depreciation, income taxes, return on capital and realized foreign exchange gains or losses in respect of debt service. The return on capital includes a 20% after-tax return on equity based on a deemed debt to equity ratio.

#### **CASH AND CASH EQUIVALENTS**

Short-term investments are considered to be cash equivalents, extending not greater than 30 days and are recorded at cost, which approximates current market value.

#### **FOREIGN CURRENCY TRANSLATION**

The Corporation's foreign operations are considered self-sustaining and were translated into Canadian dollars up to December 30, 1999, using the current rate method. On December 31, 1999, NOVA Chemicals began measuring its consolidated financial statements in U.S. dollars thereby requiring foreign operations to be translated to U.S. dollars using the current rate method on a prospective basis. Resulting translation gains or losses are deferred in a separate component of common shareholders' equity entitled "Cumulative Translation Adjustment" until there is a realized reduction of the investment in the foreign operations.

Foreign-denominated long-term monetary items, principally long-term debt, are translated at the current rate of exchange. For ethylene cost-of-service operations, the exchange differential is recoverable from customers and is reported as a reduction in or addition to the associated long-term monetary item. For non-cost-of-service operations, the unrealized translation gains or losses are deferred and amortized on a straight-line basis over the remaining lives of the related items.

The change in measurement currency to the U.S. dollar had no significant effect on the Corporation's financial statements other than the impact on accounting for NOVA Chemicals' hedged position (note 23a).

#### **HEDGING ACTIVITY**

The Corporation enters into forward contracts and options to reduce its exposure to changes in feedstock prices and foreign exchange rates. Gains or losses on the hedging instruments are recognized when the hedged transactions mature. They offset the effects of changes in commodity purchase prices or foreign exchange gains or losses on foreign cash flow (note 23).

## **INVENTORIES**

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis with no allocation of fixed production overhead.

## **INVESTMENTS**

Investments in affiliates, over which the Corporation exercises significant influence, but not control, are accounted for by the equity method. Under this method, the investment is carried at cost plus the related share of undistributed earnings. Other investments, except investments in joint ventures, are carried at cost.

## **JOINT VENTURES**

NOVA Chemicals applies the proportionate consolidation method of accounting for its investments in joint venture operations. Under the proportionate consolidation method, NOVA Chemicals records, on a line-by-line basis within its financial statements and notes, its pro rata share of the joint venture's assets, liabilities, revenues, expenses and cash flows.

## **PLANT, PROPERTY AND EQUIPMENT (PP&E)**

NOVA Chemicals' PP&E consists primarily of manufacturing equipment, land and buildings for producing petrochemicals. PP&E is carried at cost and financing costs incurred during major construction are capitalized as part of the cost of the asset until the asset is available for use. Future removal and site restoration costs are provided for on a straight-line basis over the expected remaining economic lives of the assets when such costs can be reasonably determined.

Costs related to turnaround activities are capitalized and amortized over the period remaining to the next turnaround activity, while maintenance and repair costs are expensed as incurred.

## **DEPRECIATION**

Plant and equipment are depreciated on a straight-line basis at annual rates averaging 7%. These rates are designed to write these assets off over their estimated useful lives. The Alberta ethylene plants and the hydrogen plant are depreciated over the lives of the related sales agreements. In 1999, the useful life estimates for certain Styrenics assets were changed from 15 to 20 years resulting in lower depreciation expense in 1999 by \$5 million.

## **INCOME TAXES**

Cost-of-service activities operate under billing structures that allow NOVA Chemicals to recover related income tax costs from customers based on the taxes payable method. NOVA Chemicals records income tax expense on these operations equal to recoverable amounts.

## **CHANGE IN ACCOUNTING POLICY**

NOVA Chemicals adopted the new recommendations of The Canadian Institute of Chartered Accountants ("CICA") with respect to accounting for future income taxes. For non-cost-of-service operations, the liability method of tax allocation accounting was adopted effective January 1, 2000. This method was applied retroactively on a cumulative adjustment basis. Under the liability method, future tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Deferred tax expense was based on differences in the timing of reporting income and expenses in financial statements and tax returns.

Under the new method, future income taxes are provided on the difference between the accounting and tax basis of equity investments. One of these differences results from recording equity earnings (losses) for accounting purposes. Accordingly, income tax expense (recovery) is now provided on equity earnings (losses). Previously, such taxes were not recorded until the investment was sold.

The effect of adopting the new recommendations on NOVA Chemicals' balance sheet was to increase the carrying value of plant, property and equipment and future income tax liabilities by \$297 million and \$353 million, respectively, and reduce



shareholders' equity by \$56 million as at January 1, 2000. Because of the increase in plant, property and equipment, depreciation expense will increase. This increase will be offset by an equal reduction in future income tax expense.

## EMPLOYEE FUTURE BENEFITS

### PENSION PLANS

NOVA Chemicals sponsors both defined benefit and defined contribution pension arrangements covering substantially all employees.

The cost of defined benefit pensions is determined using the projected benefit method prorated on employment services and is expensed as the employees provide services. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lifetime of the employee group. Gains or losses arising from plan curtailments and settlements are recognized in the year in which they occur. For purposes of calculating the expected return on plan assets, pension assets are revalued at fair value.

The cost of defined contribution benefits is expensed as earned by employees. NOVA Chemicals makes monthly contributions in accordance with plan agreements.

### POST RETIREMENT BENEFITS OTHER THAN PENSIONS

NOVA Chemicals provides medical care and life insurance benefits to eligible retirees and their dependents. Post-retirement benefit costs are expensed as the employees provide services.

### CHANGE IN ACCOUNTING POLICY

NOVA Chemicals adopted the new recommendations of the CICA with respect to accounting for employee future benefits effective January 1, 2000. The recommendations establish new standards for the measurement and recognition of pension and other post-employment benefit obligations as liabilities. Assets must be now measured at fair value and liabilities measured using current market discount rates. Previously, long-term average rates were used to determine pension liabilities.

This change has been applied prospectively and results in a \$51 million net employee future benefit asset (\$33 million after-tax) that will be amortized as a reduction of pension and post-retirement benefits expense over the expected average remaining service lifetime of employees.

## STOCK-BASED COMPENSATION PLAN

The Corporation has a stock-based compensation plan, which is described in note 14. No compensation expense is recognized where stock or stock options are issued to and paid for by employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock options cancelled is charged to reinvested earnings.

## DEFERRED SHARE UNIT PLAN

Units issued under this Plan are calculated based on annual management incentive awards or non-employee director fees. The cost of the units earned is expensed as employees and non-employee directors provide services. Any adjustments to the value of the units as a result of expected changes in NOVA Chemicals' common stock value are amortized on a straight-line basis over the estimated average remaining service lifetime of individuals involved in the Plan.

## SECURITIZATIONS

Securitization transactions are recorded as sales of assets when the significant risks and rewards of ownership are transferred to the purchaser. Transactions recorded in this manner result in the removal of the assets sold from the Corporation's balance sheet. Interest and discount fees, net of servicing fees, on the portfolio of receivables sold are recorded as interest expense.

## MEASUREMENT UNCERTAINTY

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates.

### COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 3. ACQUISITIONS

On December 31, 1998, NOVA Chemicals acquired the majority of Huntsman Corporation's ("Huntsman") U.S. and European styrenics businesses, excluding Huntsman's North American expandable polystyrene business (the "Huntsman Acquisition") for \$783 million (\$637 million, plus Huntsman's book value for working capital of \$146 million).

On January 31, 2000, the Corporation acquired Royal Dutch/Shell's European polystyrene operations ("Shell") for \$185 million plus working capital of \$27 million.

The acquisitions were accounted for using the purchase method, with the purchase price and related costs allocated as follows:

(millions of dollars)	Huntsman	Shell
Net assets acquired at assigned values		
Net current assets	\$ 53	\$ 27
Plant, property and equipment	783	210
Other assets	12	11
	\$848	\$248
Consideration		
Retractable preferred shares (note 12)	\$198	\$ —
Cash	593	212
	791	212
Transaction and integration costs	57	36
	\$848	\$248

## 4. ACCOUNTS RECEIVABLE

December 31	(millions of dollars)	2000	1999	1998
Trade		\$262	\$155	\$312
Other		133	75	44
		395	230	356
Less allowance for doubtful accounts		(10)	(4)	(8)
		\$385	\$226	\$348

### ACCOUNTS RECEIVABLE SECURITIZATIONS

In 1999, NOVA Chemicals entered into agreements giving it the right, on a continuing basis, to sell for cash, with limited recourse, an undivided interest in certain trade accounts receivable to a third party, to a maximum amount of \$195 million. NOVA Chemicals sold the maximum amount of receivables in both 1999 and 2000. The sale agreements may be renewed at the joint option of NOVA Chemicals and the purchaser. The sales are reflected as a reduction of accounts receivable and as operating cash flows. As collections reduce previously sold interests, new accounts receivable are sold on a revolving basis. The proceeds of sale are equal to the face amount of the accounts receivable sold. Fees are charged to the Corporation equal to an amount that approximates the purchasers' financing cost of issuing its own commercial paper backed by these accounts receivable. Interest expense in 2000 includes approximately \$13 million (1999—\$2 million) in costs associated with the securitization programs. NOVA Chemicals, as agent for the purchasers, retains collection and administrative responsibilities for the accounts receivable sold and has potential exposure to an immaterial amount of credit losses.

The Corporation maintains a fixed reserve to absorb credit-related losses associated with off-balance-sheet financing assets. The reserve is reviewed regularly for adequacy of impairment coverage and is considered adequate to absorb any credit-related losses subject to recourse under the terms of the sale agreements.

## 5. INVENTORIES

December 31 (millions of dollars)	2000	1999	1998
Materials and supplies	\$ 38	\$ 34	\$ 27
Raw materials	172	114	123
Finished goods	323	232	130
	<b>\$533</b>	<b>\$380</b>	<b>\$280</b>

## 6. INVESTMENTS AND OTHER ASSETS

Year ended December 31 (millions of dollars)	2000		1999		1998	
	Investment	Equity Earnings	Investment	Equity Earnings (Losses)	Investment	Equity Earnings (Losses)
Equity investments						
Methanex <sup>1</sup>	\$400	\$32	\$377	\$(48)	\$398	\$(25)
Dynergy	—	—	—	37	307	26
Other <sup>2</sup>	17	—	23	—	10	—
Other assets <sup>3</sup>	30	—	189	—	18	—
	<b>\$447</b>	<b>\$32</b>	<b>\$589</b>	<b>\$(11)</b>	<b>\$733</b>	<b>\$ 1</b>

<sup>1</sup> Equity earnings (losses) include NOVA Chemicals' share of Methanex's writedown of plant carrying values and a restructuring charge of \$19 million in 1999.

<sup>2</sup> 2000 and 1999 includes the capitalization of a special purpose entity (\$15 million) with respect to the 1999 accounts receivable securitization described in Note 4.

<sup>3</sup> 1999 includes \$167 million related to preferred shares of Dynergy.

## METHANEX CORPORATION

NOVA Chemicals owns 29.2% of Methanex as of December 31, 2000 (27.1% in 1999 and 1998). Methanex produces and markets methanol. The market value of NOVA Chemicals' investment in Methanex shares at December 31, 2000 was approximately \$302 million (1999—\$123 million and 1998—\$238 million).

The following is summarized financial information for Methanex:

Year ended December 31 (millions of dollars)	2000	1999	1998
Revenue	\$1,061	\$ 695	\$721
Operating expenses and depreciation	\$ 866	\$ 801	\$811
Net income (loss) <sup>1</sup>	\$ 145	\$(150)	\$( 68)

December 31 (millions of dollars)	2000	1999	1998
Current assets	\$ 664	\$ 462	\$ 570
Plant, property and equipment & other assets	1,140	1,182	1,229
Current liabilities	(137)	(123)	(116)
Long-term liabilities	(622)	(565)	(576)
Shareholders' equity	<b>\$1,045</b>	<b>\$ 956</b>	<b>\$1,107</b>

Year ended December 31 (millions of dollars)	2000	1999	1998
Cash inflows (outflows) from:			
Operating activities	\$216	\$ 8	\$ 31
Financing activities	\$(78)	\$( 5)	\$( 25)
Investing activities	\$(63)	\$(138)	\$(211)

<sup>1</sup> The 1999 net loss includes a \$70 million writedown of plant carrying values and a restructuring charge.



### **PURCHASE PRICE EXCESS**

The cost of the Corporation's investment in Methanex exceeded NOVA Chemicals' share of its underlying net book value at acquisition date. Purchase price excess is allocated to plant, property and equipment and is amortized over twenty years. Amortization expense was \$8 million in 2000 (1999 and 1998—\$7 million). At December 31, 2000, the unamortized purchase price excess was \$81 million after consideration of Methanex's share buy-back program. (December 31, 1999—\$92 million and December 31, 1998—\$99 million).

### **OTHER ASSETS**

Other assets are mainly composed of deferred debt issue costs, which are being amortized on a straight-line basis over the terms of the related debt instruments, and patents and licenses.

### **PETROCHEMICALS JOINT VENTURES**

NOVA Chemicals owns a 50% interest in an ethylene plant (E3) and a 20% interest in a cogeneration facility located at Joffre, Alberta. Both facilities were put into commercial service in December 2000. Start-up costs have been deferred from the date of mechanical completion of the facilities until the date of commercial service. Revenues earned during this period have been credited to deferred costs. Deferred start-up costs on these facilities of \$9 million will be amortized over 5 years.

NOVA Chemicals also owns a 20% interest in the Cochin pipeline and associated infrastructure, which transports ethane, ethylene and other products from Alberta to markets in Ontario and the United States. NOVA Chemicals also has a 50% interest in the Fort Saskatchewan Ethylene Storage Limited Partnership and a 33.3% interest in an ethane gathering system in Alberta.

The following is summarized financial information for these investments:

<i>Year ended December 31</i>	<i>(millions of dollars)</i>	<b>2000</b>	1999	1998
Revenue		<b>\$ 61</b>	\$ 53	\$ 56
Operating expenses and depreciation		<b>(48)</b>	(38)	(52)
Net income		<b>\$ 13</b>	\$ 15	\$ 4

<i>December 31</i>	<i>(millions of dollars)</i>	<b>2000</b>	1999	1998
Current assets		<b>\$ 31</b>	\$ 7	\$ 4
Plant, property and equipment		<b>562</b>	473	204
Current liabilities		<b>(37)</b>	(10)	(4)
Long-term liabilities		<b>(24)</b>	(22)	—
Venturers' equity		<b>\$532</b>	\$ 448	\$ 204

<i>Year ended December 31</i>	<i>(millions of dollars)</i>	<b>2000</b>	1999	1998
Cash inflows (outflows) from:				
Operating activities		<b>\$ 19</b>	\$ 15	\$ 18
Financing activities		<b>\$ 2</b>	\$ 22	\$ —
Investing activities		<b>\$ (91)</b>	\$(284)	\$(191)

## 7. PLANT, PROPERTY AND EQUIPMENT

December 31 (millions of dollars)	2000	1999	1998
Plant and equipment	\$ 4,218	\$ 3,361	\$ 3,062
Land	31	30	26
Under construction	702	921	419
	4,951	4,312	3,507
Accumulated depreciation	(1,655)	(1,549)	(1,325)
Net book value	\$ 3,296	\$ 2,763	\$ 2,182

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31 (millions of dollars)	2000	1999	1998
Accounts payable			
Trade	\$351	\$229	\$184
Other	31	23	25
	382	252	209
Accrued liabilities			
Interest	23	20	13
Site cleanup and restoration	4	4	3
Dividends	13	14	6
Deferred credit on hedges of former economic exposures <sup>1</sup>	37	38	—
Other	158	161	155
	235	237	177
Income taxes payable (receivable)	(66)	74	87
	\$551	\$563	\$473

<sup>1</sup> Represents portion of deferred credit on hedges of former economic exposures maturing within the year. See notes 10 and 23a.

## 9. LONG-TERM DEBT

December 31 (millions of dollars)		2000		1999		1998	
	Maturity	Debt	Average Interest Rate	Debt	Average Interest Rate	Debt	Average Interest Rate
Unsecured debentures and notes	2005 to 2028	\$ 642	7.4%	\$ 625	7.1%	\$ 625	7.1%
Unsecured loans	2005	454	6.1%	339	5.5%	205	6.4%
Medium-term notes	2009	250	7.4%	250	7.4%	—	—
Other unsecured debt	2004 to 2020	77	7.5%	91	6.3%	77	6.2%
Huntsman Acquisition Facility	2000	—	—	220	6.8%	390	5.9%
		1,423		1,525		1,297	
Less installments due within 1 year		(17)		(385)		(17)	
		\$1,406		\$1,140		\$1,280	

### UNSECURED DEBENTURES AND NOTES

These financings consist of unsecured borrowings, which rank pari passu in all respects with other unsecured and unsubordinated debt of the Corporation. The 10-year \$100 million 7% notes are due in September 2005. The 30-year \$100 million 7<sup>7</sup>/<sub>8</sub>% debentures due in 2025 are not redeemable prior to September 2005. On or after this date, the debentures may be redeemed at the option of the Corporation. The 30-year \$150 million 7% debentures due 2026 and the 32-year \$125 million 7<sup>1</sup>/<sub>4</sub>% debentures due 2028 are redeemable at the option of the holders in 2003 and 2008, respectively. The 10-year \$250 million Canadian (\$167 million U.S.) 7.85% senior notes may be redeemed by the Corporation at any time.

## UNSECURED LOANS

The Corporation has a committed credit facility from a syndicate of Canadian banks of \$500 million (\$750 million Canadian). Subsequent to December 31, 2000, NOVA Chemicals increased this facility to \$643 million (\$964 million Canadian). The credit facility allows unsecured borrowings at floating rates under a revolving credit line with 364-day renewable revolving periods. At the end of each 364-day period, either the syndicate or NOVA Chemicals may elect to convert the amounts outstanding under the facility into a four-year term, floating interest loan.

## MEDIUM-TERM NOTES

The notes are unsecured borrowings ranking pari passu with all other unsecured and unsubordinated debt and are due in April 2009. The Corporation may redeem the notes at any time.

## REPAYMENT REQUIREMENTS

Repayment requirements in respect of long-term debt for the five years following December 31, 2000 are:

	(millions of dollars)
2001	\$ 17
2002	\$ 16
2003	\$ 16
2004	\$ 7
2005	\$102

## INTEREST EXPENSE

Year ended December 31 (millions of dollars)	2000	1999	1998
Interest on long-term debt	\$ 98	\$ 91	\$ 51
Interest on long-term debt to affiliate	—	—	3
Interest on bank loans and securitizations	10	4	5
Other	2	1	1
Gross interest expense	110	96	60
Interest capitalized during plant construction	(59)	(34)	(12)
Interest income	(6)	(1)	(2)
Interest expense (net)	\$ 45	\$ 61	\$ 46

## 10. DEFERRED CREDITS

December 31 (millions of dollars)	2000	1999	1998
Future income taxes (notes 2 and 18)	\$601	\$305	\$194
Pension and post-retirement benefit obligations	68	67	53
Deferred credit on hedges of former economic exposures <sup>1</sup>	20	57	—
Site cleanup and restoration	31	33	39
Other	40	45	12
	\$760	\$507	\$298

<sup>1</sup> Represents the long-term portion of deferred credit on hedges of former economic exposures (see note 23a). For current portion maturing within the year, see note 8.

## 11. PREFERRED SECURITIES

On January 26, 1999 and October 22, 1998, NOVA Chemicals issued \$172.5 million and \$210 million of preferred securities due March 31, 2048 and December 31, 2047, respectively. The securities are redeemable by the Corporation at any time on or after January 26, 2004 and October 22, 2003. Distributions on these securities are payable at an annual rate of 9.04% and 9.5%, respectively, and are deductible for tax purposes by the Corporation. The after-tax amount of the distributions is charged



to reinvested earnings. The Corporation may, subject to certain conditions, elect to defer distributions for a period of up to 20 consecutive quarters. No distributions relating to the securities have been deferred to date.

The Corporation may elect to pay the maturity amount, the redemption amount and the deferred distributions by delivering to a trustee, preferred shares, common shares or other equity securities of NOVA Chemicals. The trustee would then sell the delivered securities and pay cash to the holders of the preferred securities. The principal amount has been classified as equity as the Corporation has the unrestricted ability to settle the amount by issuing its own equity securities.

Supplemental fully diluted earnings per share assuming the conversion of preferred securities to common shares would be \$2.45 for the year-ended December 31, 2000 (1999—\$2.02 and 1998—no dilutive effect).

## 12. RETRACTABLE PREFERRED SHARES

In connection with the Huntsman Acquisition, a subsidiary of the Corporation issued retractable preferred shares for \$198 million on December 31, 1998 (note 3). Dividends are cumulative and are at the following rates:

December 31, 1998 to March 31, 2001	6.95%
April 1, 2001 to March 31, 2002	5.95%
April 1, 2002 and thereafter	2.00%

The shares are redeemable for cash or common stock of NOVA Chemicals Corporation by the subsidiary on or after January 1, 2004. The shares are retractable by holders of the shares into common shares of NOVA Chemicals on or after April 1, 2001. Accordingly, the shares have been recorded as a component of shareholders' equity. The number of common shares to be issued will be based on market prices to a maximum of 8.5 million shares with the balance of the obligation, if any, met through the issuance of NOVA Chemicals preferred shares.

## 13. COMMON SHARES

### A. AUTHORIZED

Unlimited number of voting common shares without par value.

### B. ISSUED AND OUTSTANDING

(millions of dollars, except number of shares)	2000	1999	1998
Beginning of year	92,543,746	\$497	92,152,719
Reporting entity change <sup>1</sup>	—	—	—
Repurchased shares <sup>2</sup>	(8,000,000)	(41)	—
For director compensation	—	—	6,600
For cash on exercise of stock options	340,587	4	391,027
End of year <sup>3</sup>	84,884,333	\$460	92,543,746

<sup>1</sup> On July 2, 1998, NOVA Corporation (now NOVA Chemicals Corporation) replaced NOVA Chemicals Ltd. as reporting entity. Accordingly, the number of common shares outstanding at that time represents the number of NOVA Corporation common shares outstanding on that date (note 1).

<sup>2</sup> NOVA Chemicals repurchased 8 million of its common shares on the Toronto Stock Exchange for \$150 million in 2000.

<sup>3</sup> Stated common share capital for legal purposes at December 31, 2000 is \$1,652 million.

### C. SHARES RESERVED FOR FUTURE ISSUE

December 31 (number of shares)	2000	1999	1998
Under the employee incentive stock option plan <sup>1</sup>	12,888,442 <sup>2</sup>	8,538,674	8,929,701
Under the director compensation plan	47,800	47,800	47,800
Under the terms of the retractable preferred share agreement (note 12)	8,500,000	8,500,000	—
	21,436,242	17,086,474	8,977,501

<sup>1</sup> Under the employee incentive stock option plan, options are outstanding to officers and employees to purchase 8,003,725 shares at prices ranging from \$14.247 to \$33.750 (Canadian \$) per share with expiration dates between February 25, 2003, and August 9, 2010. A total of 4,884,717 shares are reserved but unallocated. See note 14 for further details of the plan.

<sup>2</sup> On May 15, 2000, shareholders approved an increase in the number of common shares reserved for issuance under the employee incentive stock option plan to 13 million common shares.

#### D. SHAREHOLDER RIGHTS PLAN

In May 1999, NOVA Chemicals' shareholders approved a shareholder rights plan where one right was issued for each outstanding common share. The rights remain attached to the shares and are not exercisable until the commencement or announcement of a takeover bid for NOVA Chemicals' common shares, or until a person acquires 20% or more of NOVA Chemicals' common shares. The plan expires in May 2009 but is subject to shareholder re-confirmation at the third and sixth annual meetings following the date of approval.

#### 14. STOCK-BASED COMPENSATION PLAN

At December 31, 2000, NOVA Chemicals has a stock-based compensation plan, which is described below.

##### EMPLOYEE INCENTIVE STOCK OPTION PLAN

The Corporation may grant options to its employees for up to 13 million shares of common stock. The exercise price of each option equals the closing market price on the Toronto Stock Exchange of the Corporation's stock on the date of grant. Options may be exercised over a 10-year period and generally 25% of the options vest at the grant date with further vesting of 25% for each of the next three years.

A summary of the status of the Corporation's employee incentive stock option plan as of December 31, 2000, 1999 and 1998, and changes during the years ending on those dates is presented below:

Incentive Options	2000		1999		1998	
	Shares	Weighted Average Exercise Price (Canadian \$)	Shares	Weighted Average Exercise Price (Canadian \$)	Shares	Weighted Average Exercise Price (Canadian \$)
Outstanding at beginning of year	6,833,957	\$24.152	5,566,918	\$23.444	3,977,028 <sup>1</sup>	\$20.684
Granted	1,612,900	\$26.762	1,706,050	\$25.100	1,691,350	\$29.594
Exercised	(340,587)	\$21.182	(391,027)	\$17.857	(70,299)	\$13.987
Cancelled	(102,545)	\$27.490	(47,984)	\$27.053	(31,161)	\$26.387
Outstanding at end of year	8,003,725	\$24.762	6,833,957	\$24.152	5,566,918	\$23.444
Options exercisable at year-end	5,022,804	\$23.125	4,024,874	\$22.008	3,089,586	\$20.269

1 On July 2, 1998, as part of the merger of NOVA Corporation and TransCanada Pipelines Limited, all options outstanding under the NOVA Corporation Stock Option Plan were cancelled and replaced with options issued under the TransCanada Pipelines Limited Stock Option Plan and options issued under NOVA Chemicals Employee Incentive Stock Option Plan.

2 Had NOVA Chemicals expensed the value of stock options vested during 2000, additional compensation expense of \$9 million would have been recorded (1999—\$9 million and 1998—\$3 million). See note 24c for additional information.

The following table summarizes information about employee incentive stock options outstanding at December 31, 2000:

Range of Exercise Prices (Canadian \$)	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (Canadian \$)	Number Exercisable	Weighted Average Exercise Price (Canadian \$)
\$14.247–\$18.376	854,307	3.4	\$16.512	854,307	\$16.512
\$20.234–\$21.225	1,457,586	5.6	\$20.745	1,457,586	\$20.745
\$24.950–\$33.750	5,691,832	8.1	\$27.028	2,710,911	\$26.490
	8,003,725			5,022,804	

#### 15. DEFERRED SHARE UNIT PLAN

Under the Corporation's Deferred Share Unit Plan adopted in 1999, prior to each January 1, selected key employees and non-employee directors may elect to receive their annual management incentive award or fees, respectively, in the form of stock based units rather than cash. These units are calculated according to the amount of management incentive award or fees each individual may be entitled to, divided by the average market price of the Corporation's stock for the five days prior to December 31 for the year preceding the year in which the incentive award is earned, and the average market price for each of the five days

prior to March 31, June 30, September 30 and December 31 for the quarter of the year the directors' fees are earned. The units are only exercisable upon retirement or termination (both voluntary and involuntary) from the Corporation.

A summary of the status of the Corporation's deferred share unit plan as of December 31, 2000 and 1999, and changes during the years ended on those dates is presented below:

Employee Deferred Share Units	2000		1999	
	Units	Weighted Average Exercise Price (U.S. \$)	Units	Weighted Average Exercise Price (U.S. \$)
Cumulative amount at beginning of year	156,446	\$13.14	—	—
Earned	124,008	\$19.35	156,446	\$13.14
Redeemed	—	—	—	—
Cumulative amount at end of year	280,454	\$15.88	156,446	\$13.14

Non-Employee Directors Deferred Share Units	2000		1999	
	Units	Weighted Average Exercise Price (Cdn \$)	Units	Weighted Average Exercise Price (Cdn \$)
Cumulative amount at beginning of year	15,539	\$30.13	—	—
Earned	23,288	\$28.45	15,539	\$30.13
Redeemed	(11,021)	\$28.83	—	—
Cumulative amount at end of year	27,806	\$29.24	15,539	\$30.13

The compensation expense associated with the award of units in aggregate was approximately \$3.7 million (1999—\$4.5 million).

## 16. RESTRUCTURING CHARGES

On November 28, 2000, NOVA Chemicals announced the closure of its Joliet, Illinois solid polystyrene plant in the first quarter of 2001. In addition to providing for the Joliet plant closure, NOVA Chemicals wrote down certain non-productive assets in several other locations and provided for associated severance costs. The Corporation has recorded a charge of \$118 million (before-tax) consisting of asset write-downs (\$103 million) and severance (\$15 million).

Restructuring charges in 1999 and 1998 relate to other organizational changes.

## 17. OTHER GAINS

Year ended December 31 (millions of dollars)	2000		1999		1998	
	Before-Tax	After-Tax	Before-Tax	After-Tax	Before-Tax	After-Tax
Gain on sale of investment in Dynegey Inc.	\$32	\$21	\$347	\$184	—	—
Loss on hedges of former economic exposures (note 23a)	—	—	(95)	(60)	—	—
Other	—	—	(1)	(1)	2	1
	\$32	\$21	\$251	\$123	2	1

In 2000, preferred shares of Dynegey Inc. were divested for proceeds of \$199 million resulting in a gain of \$32 million (\$21 million after-tax).



## 18. INCOME TAXES

Income tax expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income before income taxes as shown in the following table:

Year ended December 31 (millions of dollars)	2000	1999	1998
Income before income taxes	\$433	\$484	\$60
Statutory income tax rate	44.62%	44.62%	44.62%
Computed income tax expense	\$193	\$216	\$27
Increase (decrease) in taxes resulting from:			
Manufacturing and processing deduction	(29)	(8)	(2)
Lower effective foreign tax rates	(4)	(27)	(1)
Lower effective tax rate on equity in (earnings) losses of affiliates	(5)	5	—
Lower tax basis on Dynegy investment	—	33	—
Non-provision of future income taxes on cost-of-service operations <sup>1</sup>	9	5	15
Non-deductible depreciation	—	9	—
Other	(4)	(2)	3
Income tax rate adjustments <sup>2</sup>	(29)	—	—
	\$131	\$231	\$42
Current income taxes	\$ 38	\$137	\$40
Future income taxes	93	94	2
	\$131	\$231	\$42

1 For certain petrochemical operations, agreements for certain cost-of-service operations provide for the recovery of income taxes from customers. The Corporation records income tax expense on these operations equal to the amounts recoverable under the agreements, and therefore there is no effect on net income. Some agreements limit the recoverable amount to current taxes payable. Accordingly, the provision for income taxes excludes future income tax recoveries relating to these operations. Cumulative unrecorded future income taxes payable amounted to \$17 million at December 31, 2000 (\$26 million at December 31, 1999 and \$31 million at December 31, 1998).

2 As a result of Canadian federal and Ontario provincial tax rate reductions in 2000, income tax rates on future tax liabilities have been reduced.

The principal temporary difference in calculating future income taxes, for both cost-of-service and non-cost-of-service operations, relates to deductions for tax purposes in respect of plant, property and equipment in excess of depreciation provided for in the accounts.

Year ended December 31 (millions of dollars)	2000	1999	1998
Income before taxes			
Canadian	\$402	\$ 17	\$34
Foreign	31	467	26
	\$433	\$484	\$60
Current income taxes			
Canadian	\$ 25	\$ 46	\$36
Foreign	13	91	4
	38	137	40
Future income taxes			
Canadian	77	(13)	6
Foreign	16	107	(4)
	93	94	2
Total income taxes	\$131	\$231	\$42

**19. CHANGES IN NON-CASH WORKING CAPITAL**

Year ended December 31 (millions of dollars)	2000	1999	1998
Accounts receivable	\$(159)	\$ 122	\$(47)
Inventories	(153)	(100)	(73)
Accounts payable and accrued liabilities	(12)	90	220
Changes in non-cash working capital	(324)	112	100
Reclassification and other items not having a cash effect	(123)	(128)	10
Changes in non-cash working capital having a cash effect	\$(447)	\$ (16)	\$110
These changes relate to the following activities:			
Operating activities	\$(260)	\$ 53	\$ 28
Investing activities	(186)	17	—
Financing activities	(1)	(86)	82
	\$(447)	\$ (16)	\$110

**INTEREST AND INCOME TAX PAYMENTS**

Third-party interest payments were \$106 million in 2000 (1999—\$89 million and 1998—\$59 million). Income tax payments were \$207 million in 2000 (1999—\$148 million and 1998—\$46 million).

**20. EMPLOYEE FUTURE BENEFITS****PENSION PLANS**

NOVA Chemicals sponsors both defined benefit and defined contribution pension arrangements.

Defined benefit pensions at retirement are mainly related to years of service and remuneration during the last years of employment and are partially indexed to inflation. Actuarial reports are prepared regularly by independent actuaries for accounting and funding purposes. The Corporation funds the plans using a valuation based on the projected unit credit method and the plans' assets consist primarily of publicly traded equity and fixed income securities.

NOVA Chemicals adopted the new CICA standards for employee future benefits effective January 1, 2000, and has applied these rules prospectively. As such, plan assets are measured at fair value while pension obligations are discounted using current yield rates of bonds with terms to maturity that approximate the duration of the Corporation's pension liabilities.

Pension and post-retirement expense for all significant plans included in operating and selling, general and administrative costs consisted of the following:

Year ended December 31 (millions of dollars)	2000	1999	1998	2000	2000	1999	1998
				Supplemental Pension Plan		Post Retirement Plans	
Current service cost	\$13	\$15	\$12	\$—	\$1	\$1	\$1
Interest cost on projected benefit obligations	20	20	18	1	3	2	2
Expected return on plan assets	(22)	(19)	(18)	—	—	—	—
Net total of other components	(8)	(3)	(1)	—	1	1	1
	3	13	11	1	5	4	4
Amounts attributable to cost-of-service contracts	—	—	(1)	—	—	—	(1)
Net pension expense	\$3	\$13	\$10	\$1	\$5	\$4	\$3

The status of all significant pension and post-retirement plans is as follows:

Year ended December 31	(millions of dollars)			2000	1999	1998	2000	1999	1998
				Pension Plans			Supplemental Pension Plan <sup>1</sup>	Post Retirement Plans	
Change in benefit obligations:									
Benefit obligation at beginning of year	\$274	\$256	\$243				\$12	\$31	\$27
Foreign currency exchange rate changes	(10)	15	(10)				(1)	(1)	1
Current service cost	13	15	12				—	1	1
Interest cost	20	20	18				1	3	2
Experience (gain) loss	27	(4)	4				1	6	1
Plan amendments	3	—	—				6	—	—
Business combination <sup>2</sup>	43	—	6				2	—	—
Settlement/curtailment <sup>3</sup>	(7)	—	—				—	—	—
Special termination benefits	—	1	6				—	—	—
Employee contributions	2	1	1				—	—	—
Benefits paid	(14)	(18)	(24)				—	(2)	(1)
Net benefit obligation at end of year	\$351	\$286	\$256				\$21	\$38	\$31
Change in plan assets:									
Market value of plan assets at beginning of year	\$300	\$271	\$277				\$—	\$—	\$—
Foreign currency exchange rate changes	(11)	20	(12)				—	—	—
Expected return on plan assets	22	19	18				—	—	—
Employer and employee contributions	10	8	9				—	—	—
Business combination <sup>2</sup>	43	—	—				—	—	—
Settlement/curtailment <sup>3</sup>	(7)	—	—				—	—	—
Experience gain	16	—	—				—	—	—
Benefits paid	(14)	(18)	(21)				—	—	—
Net total of other components	(2)	—	—				—	—	—
Fair value of plan assets at end of year	\$357	\$300	\$271				\$—	\$—	\$—
Funded status:									
Plan assets in excess (deficiency) of benefit obligation	\$ 6	\$ 14	\$ 15				\$(21)	\$(38)	\$(31)
Unrecognized net transitional (asset) obligation	(55)	(2)	(3)				—	12	11
Unrecognized prior service cost	3	11	12				6	—	—
Unrecognized net actuarial (gain) loss	21	(61)	(55)				1	5	1
Net amounts recognized in the consolidated balance sheets	\$(25)	\$(38)	\$(31)				\$(14)	\$(21)	\$(19)
Assumptions as at December 31:									
Discount rate	7.0%	7.5%	7.5%				7.0%		
Assumed long-term rate of return on plan assets	7.5%	7.5%	7.5%				—		
Rate of increase in future compensation	4.5%	4.5%	4.5%				4.5%		

<sup>1</sup> The supplemental pension plan is disclosed separately in 2000 as its benefit obligations are in excess of its plan assets. New CICA accounting standards require this disclosure on a prospective basis beginning January 1, 2000.

<sup>2</sup> 2000 reflects the benefit obligations and plan assets assumed in the Shell acquisition (1998 reflects the Huntsman acquisition).

<sup>3</sup> Effective January 1, 2000, NOVA Chemicals offered a defined contribution plan to its Canadian employees. Employees could opt to convert their defined pension benefits accumulated under the defined benefit plan to the new defined contribution plan on an irrevocable basis. This change was accounted for as a settlement of a portion of the defined benefit plan.

## POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Corporation provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement costs are funded as they are incurred. The plans cover employees in Canada and the U.S. The following assumptions were used in the determination of post-retirement obligations:

	2000		1999		1998	
	Canadian	U.S.	Canadian	U.S.	Canadian	U.S.
Salary and wage escalation rates	%4.5	4.2	4.5	4.2	4.5	4.2
Long-term medical inflation	%4.5	4.75	4.5	5.15	4.5	4.0
Discount rate to calculate post retirement benefit obligation	%7.0	7.5	7.5	7.9	7.5	6.75



A 1% increase in the medical inflation rate would have increased the accumulated post-retirement benefit obligation by an additional \$1 million at December 31, 2000, for Canadian plans and \$3 million for U.S. plans. A 1% decrease in the same medical inflation rate would have decreased the post-retirement benefit obligation by \$1 million and \$2 million for Canadian and U.S. plans, respectively.

The Corporation accrues the cost of providing post-retirement benefits as the employees provide services.

## DEFINED CONTRIBUTION PLANS

NOVA Chemicals has a number of defined contribution plans providing pension benefits to certain groups of employees. The total expense for the Corporation's contribution to these plans in 2000 was \$11 million (1999—\$9 million and 1998—\$5 million).

## 21. CONTINGENCIES AND COMMITMENTS

A Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management that final determination of these claims will not materially affect the financial position or operating results of the Corporation.

B The Corporation leases office space and transportation equipment under various operating leases. The minimum lease payments are approximately \$530 million in total with annual amounts of \$37 million in 2001, \$38 million in 2002, \$37 million in 2003, \$34 million in 2004, \$30 million in 2005, and \$354 million thereafter.

C In addition to the future site cleanup and restoration costs which have been accrued (notes 8 and 10), costs will be incurred in the future for plant sites when they are sold or are no longer used in the Corporation's operations. The liability with respect to these costs is not currently determinable.

## 22. SEGMENTED INFORMATION

### A FINANCIAL INFORMATION BY BUSINESS SEGMENT

Year ended December 31	(millions of dollars)	2000	1999	1998
Revenue				
Olefins and polyolefins		\$2,228	\$1,671	\$1,614
Styrenics		1,859	1,273	542
Intersegment eliminations		(171)	(136)	(81)
		\$3,916	\$2,808	\$2,075
Depreciation				
Olefins and polyolefins		\$ 86	\$ 80	\$ 122
Styrenics		102	75	29
		\$ 188	\$ 155	\$ 151
Operating income (loss)				
Olefins and polyolefins		\$ 439	\$ 305	\$ 158
Styrenics		93	18	(37)
Restructuring charges		(118)	(18)	(18)
		\$ 414	\$ 305	\$ 103
Net income (loss)				
Olefins and polyolefins		\$ 258	\$ 167	\$ 61
Styrenics		42	(12)	(35)
Equity investments, corporate and other		2	98	(8)
		\$ 302	\$ 253	\$ 18
Plant, property and equipment additions				
Olefins and polyolefins		\$ 401	\$ 565	\$ 285
Styrenics		39	55	82
		\$ 440	\$ 620	\$ 367

December 31 (millions of dollars)	2000	1999	1998
<b>Assets</b>			
Olefins and polyolefins	\$2,199	\$1,832	\$1,283
Styrenics	1,936	1,491	1,500
Investment in Methanex	400	377	398
Dynegy proceeds receivable/investment in Dynegy	—	709	307
Corporate and other <sup>1</sup>	153	150	92
	<b>\$4,688</b>	<b>\$4,559</b>	<b>\$3,580</b>

<sup>1</sup> Amounts include all cash and cash equivalents.

#### B. FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Year ended December 31 (millions of dollars)	2000	1999	1998
<b>Revenue<sup>1</sup></b>			
Canada	\$1,318	\$ 934	\$ 990
United States	1,805	1,478	909
Europe	793	396	176
	<b>\$3,916</b>	<b>\$2,808</b>	<b>\$2,075</b>
<b>Export sales from Canadian operations</b>			
United States	\$ 801	\$ 739	\$ 499
Europe and other	206	150	91
	<b>\$1,007</b>	<b>\$ 889</b>	<b>\$ 590</b>
<b>Operating income (loss)<sup>2</sup></b>			
Canada	\$ 409	\$ 226	\$ 124
United States	(4)	59	(21)
Europe and other	9	20	—
	<b>\$ 414</b>	<b>\$ 305</b>	<b>\$ 103</b>
<b>Equity in earnings (losses) of affiliates</b>			
Canada	\$ 32	\$ (48)	\$ (25)
United States	—	37	26
	<b>\$ 32</b>	<b>\$ (11)</b>	<b>\$ 1</b>

December 31 (millions of dollars)	2000	1999	1998
<b>Assets<sup>2</sup></b>			
Canada	\$2,422	\$2,053	\$1,503
United States	1,221	1,810	1,146
Europe and other	630	296	216
Equity investment	415	400	715
	<b>\$4,688</b>	<b>\$4,559</b>	<b>\$3,580</b>

<sup>1</sup> Based on location of customer.

<sup>2</sup> Based on location of the operating facilities.

## 23. FINANCIAL INSTRUMENTS

### FINANCIAL INSTRUMENT FAIR VALUES

Financial instrument fair values represent a reasonable approximation of amounts NOVA Chemicals would have received or paid to counter-parties to unwind positions prior to maturity. At December 31, 2000, NOVA Chemicals has no plans to unwind these positions prior to maturity. The carrying amounts represent the receivable or payable recorded in the balance sheets. The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, bank loans, accounts payable and accrued liabilities approximate their fair value. NOVA Chemicals does not have a significant exposure to any individual customer or counter-party. Fair values and carrying amounts for long-term debt and derivative instruments are disclosed below.

December 31	(millions of dollars)	2000	1999	1998	2000	1999	1998
				Carrying Amount		Estimated Fair Value <sup>1</sup>	
Long-term debt <sup>2</sup>		\$1,423	\$1,525	\$1,297	\$1,389	\$1,469	\$1,289

1 The fair value of long-term debt is based on quoted market prices, where available. If market prices are not available, fair values are estimated using discounted cash flow analyses, based on NOVA Chemicals' current incremental borrowing rates for similar borrowing arrangements.

2 Includes debt installments due within one year.

## DERIVATIVES AND OTHER HEDGING INSTRUMENTS

NOVA Chemicals sells petrochemical products at prices denominated in various currencies, purchases energy commodities, invests in foreign operations and issues short and long-term debt, including amounts in foreign currencies. These activities result in exposures to fluctuations in foreign currency exchange rates, commodity prices and interest rates. NOVA Chemicals manages its exposures by entering into contractual arrangements (derivatives) which reduce (hedge) the exposure by creating an offsetting position. The estimated fair values only represent the value of the hedge component of these transactions and do not consider the value of the contracted and anticipated transactions that are being hedged.

### A. FOREIGN EXCHANGE RISK MANAGEMENT

NOVA Chemicals has U.S., Canadian and European-based petrochemical operations. A portion of the Corporation's expenses is established in Canadian dollars. NOVA Chemicals reduces its exposure to fluctuations in the Canadian/U.S. dollar exchange rate by using forward exchange contracts. The forwards to deliver U.S. dollars and receive Canadian dollars outstanding at December 31, 2000, maturing 2001 to 2003, are as follows:

December 31	(millions of dollars unless otherwise noted)	2000	1999	1998
Foreign exchange forwards				
Notional amount		\$1,235	\$1,868	\$2,493
Average exchange rate per Cdn dollar		\$ 0.70	\$ 0.70	\$ 0.74
Estimated fair value <sup>1</sup>		\$ (108)	\$ (95)	\$ (261)
Carrying value (notes 8 and 10)		\$ (57)	\$ (95)	\$ —

1 Asset (liability). The fair values of these instruments are estimated based on quoted market prices of comparable contracts, adjusted for maturity differences.

With the December 31, 1999 change in functional currency to the U.S. dollar (note 1), the underlying U.S. dollar exposure originally being hedged by forward contracts then in place no longer existed. As a result, the Corporation wrote off the estimated fair value of these hedges at December 31, 1999. This resulted in a \$95 million before-tax (\$60 million after-tax) charge to earnings, being the difference between the average contracted (74 cents) and average forward (70 cents) exchange rates on the hedging contracts in the program. The loss was included in other gains and losses in the consolidated statement of income and as a deferred credit on the balance sheet (notes 10 and 17).

Effective January 1, 2000, NOVA Chemicals redesignated its forward contracts as hedges of Canadian dollar costs. The hedged rates equal the forward rates as of December 31, 1999 and average one Canadian dollar = U.S. 70 cents over the hedging period, which extends to March 2003. Approximately \$50 million U.S. equivalent of Canadian dollar costs per month has been hedged during this period.

### B. COMMODITY PRICE RISK MANAGEMENT

NOVA Chemicals uses commodity futures to hedge a portion of its exposure to price fluctuations on crude oil, refined products and natural gas transactions. The instruments are used to moderate the risk of fluctuations in feedstock prices by protecting against adverse short-term price movements, while limiting, somewhat, the benefits of favorable short-term price movements. They are not used for speculative purposes.



Occasionally, longer-term positions will be taken to manage price risk for anticipated supply requirements. At December 31, 2000, 1999 and 1998, the notional volume and estimated fair value of outstanding contracts for natural gas are as follows:

December 31	(millions of dollars unless otherwise noted)	2000	1999	1998
<b>Floating to fixed price swaps</b>				
Notional volume	mmGJ	15.2	68.4	49.7
Weighted average price per GJ	Cdn.	\$ 1.84	\$ 2.53	\$ 1.93
Estimated fair value	U.S.	\$ 33.8 <sup>1</sup>	\$ 21.1	\$ 19.1
Carrying value	U.S.	\$ —	\$ —	\$ —
Term to maturity	Months	1-12	12-24	12-36
<b>Pricing basis swaps<sup>2</sup></b>				
Notional volume	mmcf	19.8	23.0	41.4
Weighted average basis differential per mcf	U.S.	\$0.345	\$0.562	\$0.688
Estimated fair value	U.S.	\$ 3.4	\$ 6.0	\$ 11.6
Carrying value	U.S.	\$ —	\$ —	\$ —
Term to maturity	Months	1-12	12-24	12-36
<b>Options</b>				
Notional volume	mmcf	19.2	23.5	13.5
Weighted average price per mcf	U.S.	\$ 7.48	\$ 2.41	\$ 1.94
Estimated fair value	U.S.	\$ 36.1	\$ 0.2	\$ (1.5)
Carrying value	U.S.	\$ —	\$ —	\$ —
Term to maturity	Months	1-3	3-9	3

<sup>1</sup> The estimated fair value represents the net crystallized amount resulting from the placement of offsetting positions in May 2000.

<sup>2</sup> Under the pricing basis swaps the Corporation will pay or receive the difference between the market price for intra-Alberta gas delivery, and the export market price less a fixed differential established in the contract.

At December 31, 2000, the estimated fair value of outstanding contracts for crude oil, refined products, and alternative feed-stocks are as follows:

December 31	(millions of dollars unless otherwise noted)	2000	1999	1998
Notional volume	mbbls	4,817	1,822	1,646
Weighted average price per bbl <sup>1</sup>	U.S.	\$26.97	\$18.72	\$16.35
Estimated fair value	U.S.	\$ 5.5	\$ 0.9	\$ (0.2)
Carrying value	U.S.	\$ —	\$ —	\$ —
Term to maturity	Months	1-12	1-12	1-12

<sup>1</sup> Crude oil swaps, futures, options.

#### C. CREDIT RISK MANAGEMENT

Credit exposure on financial instruments arises from the possibility that a counter-party to an instrument in which NOVA Chemicals has an unrealized gain fails to perform. NOVA Chemicals only transacts with counter-parties having a minimum credit rating of A for its foreign exchange instruments and a minimum credit rating of BBB for its commodity risk management instruments. A limit on contingent exposure has been established for each counter-party based on the counter-party's credit rating. Credit exposure on commodity price risk instruments is managed through credit approval and monitoring procedures. NOVA Chemicals does not anticipate any counter-parties will fail to meet their obligations. At December 31, 2000, 1999 and 1998, NOVA Chemicals' credit exposure was \$nil for foreign currency instruments, and \$44 million (1999—\$41 million and 1998—\$21 million) for commodity-based instruments.

## 24. UNITED STATES ACCOUNTING PRINCIPLES

## A. RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES

Year ended December 31 (millions of dollars)	2000	1999 (restated)	1998
Net income in accordance with Canadian GAAP	\$ 302	\$ 253	\$ 18
Add (deduct) adjustments for:			
Equity losses of affiliates <sup>1</sup>	(10)	(4)	(4)
Pre-production costs <sup>2</sup>	(6)	—	—
Gain on sale of Dynegy <sup>3</sup>	—	(6)	—
Foreign exchange (gains) losses <sup>4</sup>	(31)	157	(80)
Future income taxes <sup>5</sup>	(29)	—	—
Inventory valuation adjustment <sup>6</sup>	6	(12)	(1)
Preferred securities distribution <sup>7</sup>	(23)	(22)	(2)
Arrangement costs <sup>8</sup>	—	—	(27)
Other	2	(2)	1
Net income (loss) in accordance with U.S. GAAP	\$ 211	\$ 364	\$ (95)
Net income (loss) per share using U.S. GAAP—basic	\$ 2.23	\$ 3.78	\$ (1.03)
—fully diluted	\$ 2.14	\$ 3.57	\$ (1.03)
Comprehensive income (loss) <sup>9</sup>			
Net income (loss) using U.S. GAAP	\$ 211	\$ 364	\$ (95)
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	(88)	\$ 85	\$ (57)
Comprehensive income (loss) in accordance with U.S. GAAP	\$ 123	\$ 449	\$ (152)
Accumulated other comprehensive income			
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	\$ (60)	\$ 28	\$ (57)

December 31 (millions of dollars)	2000	1999 (restated)	1998 (restated)
Balance sheet items in accordance with U.S. GAAP <sup>10</sup>			
Current assets <sup>6,11</sup>	\$ 1,042	\$ 1,295	\$ 714
Investments and other assets	412	561	729
Plant, property and equipment (net) <sup>2,8</sup>	3,267	3,061	2,492
Current liabilities <sup>11</sup>	(699)	(1,008)	(751)
Long-term debt			
Preferred securities <sup>7</sup>	(383)	(383)	(210)
Other long-term debt	(1,406)	(1,140)	(1,280)
Deferred credits <sup>5</sup>	(782)	(838)	(557)
Retractable preferred shares	(198)	(198)	(198)
Common shareholders' equity	\$ 1,253	\$ 1,350	\$ 939

1 NOVA Chemicals' share of adjustments made to Methanex and Dynegy's (1999 and 1998) financial information to comply with U.S. accounting principles ("U.S. GAAP").

2 U.S. GAAP requires all costs (except interest expense on constructed assets) associated with pre-production activities to be expensed as incurred rather than deferred as under Canadian GAAP.

3 The 1999 gain on sale of the investment in Dynegy Inc. has been adjusted to reflect the U.S. GAAP differences in the investment base of Dynegy.

4 Canadian GAAP allows deferral of gains and losses on hedges of anticipated transactions. Present U.S. GAAP does not allow deferral of these gains and losses although deferral may be possible for companies that apply FAS 133. NOVA Chemicals expects the adoption of FAS 133 to eliminate or reduce this Canadian/U.S. GAAP difference. See also d) below.

5 U.S. GAAP future income taxes are not adjusted for changes in tax rates until they are enacted whereas Canadian GAAP requires adjustment when tax rate changes are substantively enacted.

6 U.S. GAAP requires an allocation of fixed production overhead to inventory. Canadian GAAP allows these costs to be expensed during the period. The U.S. GAAP results for the years ended December 31, 1999 and 1998, have been restated to appropriately reflect the fixed production costs associated with inventories on hand at that time.

7 U.S. GAAP treats the preferred securities as a long-term debt obligation and the preferred distributions on the securities as interest expense.

8 Under U.S. GAAP, transaction costs related to a business combination accounted for using the pooling of interests method are recognized as an expense.

9 Accounting principles generally accepted in the U.S. require, for the year commencing January 1, 1998, the presentation of a separate statement of comprehensive income. This statement is not required under Canadian GAAP. Comprehensive income includes all changes in equity during the period including items that are not in net income.

10 U.S. GAAP requires corporate joint ventures to be accounted for using the equity method, whereas Canadian GAAP requires proportionate consolidation of all joint ventures. The equity method does not result in any change to NOVA Chemicals' net income or shareholders' equity; however, all assets, liabilities, revenue, expenses and most cash flow items are decreased when compared with the amounts that are presented using proportionate consolidation.

11 The Corporation's \$60 million accounts receivable securitization in Canada does not meet the criteria for off-balance sheet treatment under U.S. GAAP.

#### *B. PROJECTED PENSION BENEFIT OBLIGATIONS (PPBO'S)*

U.S. GAAP requires the discount rate assumption for the valuation of PPBO's to be calculated based on the year-end rate for high-quality Canadian fixed income investments. Effective January 1, 2000, Canadian GAAP moved to requirements consistent with U.S. GAAP. Prior to January 1, 2000, Canadian GAAP used management's best estimate of the long-term fixed income investment rate. At December 31, 2000 the U.S. discount rate for U.S. obligations was 7.5% compared to the Canadian discount rate for Canadian obligations of 7.0% (1999—U.S. 7.9%, Canadian 7.5% and 1998—U.S. 6.75%, Canadian 7.5%).

#### *C. STOCK-BASED COMPENSATION*

Under U.S. GAAP, the Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") requires that companies with stock-based compensation plans either recognize compensation expense based on new fair-value accounting methods or continue to apply the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and disclose pro forma net earnings (loss) per share assuming the fair-value method had been applied. NOVA Chemicals has elected to follow APB 25 and related interpretations in accounting for employee stock options.

For 2000, the SFAS 123 pro forma calculation includes those options granted under NOVA Chemicals' Employee Incentive Stock Option Plan that vested during 2000 (see note 14 for details on the employee incentive stock option plan).

Options are issued at the market price on date of grant and therefore, under APB 25, no compensation expense has been recorded.

Under SFAS 123, NOVA Chemicals' pro forma net earnings (loss) for U.S. GAAP would be \$202 million (1999—\$355 million and 1998—\$(98) million) and pro forma basic earnings (loss) per common share would be \$2.13 (1999—\$3.69 and 1998—\$(1.06)).

For disclosure purposes, the fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for stock options granted in 2000, 1999, and 1998:

<i>Weighted-average assumptions</i>		<b>2000</b>	1999	1998
Expected dividend yield	%	<b>1</b>	1	1
Expected volatility	%	<b>42.5</b>	65.1	92.4
Risk-free interest rate	%	<b>5.58</b>	5.88	4.00
Expected life	Years	<b>2½</b>	1½	1½

The weighted average fair value of the stock options granted in 2000, 1999 and 1998 was \$5.36, \$5.85 and \$5.87, respectively.

#### *D. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES*

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in years beginning after June 15, 2000. NOVA Chemicals expects to adopt the new Statement effective January 1, 2001. The Statement will require the Corporation to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

Based on NOVA Chemicals' derivative position at December 31, 2000, the Corporation estimates that upon adoption it will record a gain from the cumulative effect of an accounting change of approximately \$50 million (after-tax), to be recognized in other comprehensive income.

The adoption of the new standard will eliminate one Canadian/U.S. GAAP difference relating to foreign exchange losses on anticipated transactions while creating differences related to certain commodity derivative instruments which receive hedge accounting treatment under Canadian GAAP but will not under the new U.S. standard.



### **Jeffrey M. Lipton**

*President and Chief Executive Officer*

Jeff joined NOVA Chemicals<sup>1</sup> in 1994 as Senior Vice President and CFO and assumed his current position as President and CEO in 1998. Jeff also serves as Chairman of Methanex Corporation and Trimeris, Inc. He is Past Chairman and a continuing director of the American Plastics Council, a director of the American Chemistry Council, and the Business Council on National Issues. Prior to joining NOVA Chemicals, Jeff worked with E.I. DuPont for almost three decades, most recently as Vice President, Corporate Plans. Jeff graduated from the Rensselaer Polytechnic Institute with a Bachelor of Science degree in Chemical Engineering and obtained an MBA from Harvard University.

### **Daniel W. Boivin**

*Senior Vice President and President, Olefins/Polyolefins*

Dan joined NOVA Chemicals as Senior Vice President, Olefins/Polyolefins in 1994 and assumed his current position as President, Olefins/Polyolefins in 1999. Prior to joining NOVA Chemicals, he worked for more than 26 years with DuPont Canada, holding a variety of managerial positions until his appointment in 1992 as Vice President and General Manager, Polyolefins Enterprise. Dan serves on the board of Methanex Corporation. He graduated from the University of Ottawa with a Bachelor of Science degree in Chemistry.

### **Wayne E. Lunt**

*Senior Vice President and Chief Financial Officer*

Wayne joined NOVA Chemicals as Senior Vice President and CFO in 1998. Wayne is also responsible for NOVA Chemicals' logistics function. Prior to this, Wayne worked with TransCanada PipeLines Limited, serving as President, American Pipeline Investments. His past experience also includes serving as President and CEO of Alberta Natural Gas Co. Ltd. and as Senior Vice President and CFO of the same company. Wayne holds both an MBA and a Bachelor of Science degree from the University of Western Ontario.

### **Larry A. MacDonald**

*Senior Vice President, Manufacturing East*

Larry joined NOVA Chemicals in 1979 as Controller. He progressed through several financial, information technology, and merger and acquisition positions before assuming his current role as Senior Vice President, Manufacturing East at NOVA Chemicals' facilities at Sarnia, Ontario, in 1999. Larry graduated from the University of Windsor with a Bachelor of Commerce degree and is a chartered accountant.

### **Jack S. Mustoe**

*Senior Vice President, Legal and General Counsel*

Jack joined NOVA Chemicals in 1988 and was named Senior Vice President, General Counsel and Corporate Environmental Officer in 1994. Jack is also responsible for NOVA Chemicals' purchasing function. Prior to this, Jack served as Senior Legal Counsel for Dome Petroleum Ltd. and as Assistant General Counsel for Norcen Energy Resources Ltd. Jack graduated from the University of Western Ontario with a Bachelor of Laws degree and is a member of the Ontario and Alberta Bars.

### **Sheila H. O'Brien**

*C.M., Senior Vice President, Human Resources, Public Affairs, Government and Investor Relations*

Sheila joined NOVA Chemicals in 1992 and was named to her current role in 1998. Since 1992, Sheila has served NOVA Chemicals in several senior management roles, including Senior Vice President, Human Resources and Public Affairs; Vice President for People and Community; and Director, Public Affairs. Prior to joining NOVA Chemicals, Sheila held managerial positions in Human Resources and Public Affairs at Amoco Canada Petroleum Co. Ltd. and Petro-Canada. Sheila holds a Bachelor of Arts degree in English and Sociology from the University of Calgary and graduated from the University of Western Ontario's Management Training Course. Sheila was appointed to the Order of Canada in 1998.

### **Christopher D. Pappas**

*Senior Vice President and President, Styrenics*

Chris joined NOVA Chemicals in his current role in July of 2000. He began his career with Dow Chemical in 1978, where he held a variety of sales and managerial positions. He concluded his time at Dow as Commercial Director, Polyethylene/ Specialty Plastics in 1995. From 1996 until 1998, Chris led the ethylene elastomers business of Dupont Dow Elastomers, Inc. as Vice President. He was then named Commercial Vice President with accountability for ethylene elastomers, neoprene, North American Sales and Marketing, and Supply Chain. Chris was President and CEO of Paint and Coatings.com just prior to joining NOVA Chemicals. Chris has a Bachelor of Science degree in Civil Engineering from The Georgia Institute of Technology and obtained an MBA from The Wharton School of The University of Pennsylvania.

### **A. Terence Poole**

*Executive Vice President, Corporate Strategy and Development*

Terry began his current role in 2000. Prior to this, he spent two years as Executive Vice President, Finance and Strategy for NOVA Chemicals. Terry has served NOVA Chemicals in several senior management roles since 1988, including Senior Vice President and CFO; Senior Vice President, Controller and Treasurer; and Vice President and Controller. Terry also serves on the board of Methanex Corporation and Rentmaker. Prior to joining NOVA Chemicals, Terry held senior financial and operating management positions in the John Labatt group of companies and with Phillips Cables. Terry graduated from Dalhousie University with a Bachelor of Commerce degree and is a chartered accountant.

### **Dale H. Spiess**

*Senior Vice President, Polyethylene Sales and Marketing*

Dale joined NOVA Chemicals in his current role in 1998. Prior to this, Dale was Group Vice President with Millennium Petrochemicals Inc. and also held positions with the Enron Chemical Company, ARCO Chemical and Uniroyal Chemical. Dale has a Bachelor of Science degree in Biology from Illinois Wesleyan University and is a graduate of the Executive Management Program at the University of Pennsylvania.

### **John L. Wheeler**

*Senior Vice President and Chief Information Officer*

John joined NOVA Chemicals in his current role in 1998. Prior to this, he held senior management positions in Information Technology at AT&T Co., Bristol-Myers Consumer Products, Viacom and PolyGram and was Director of Information Systems for W.R. Grace Specialty Chemicals Co. John graduated with a Bachelor of Arts degree in Political Science (Pre-Law) from Duke University.

<sup>1</sup>NOVA Chemicals refers to and includes all predecessor companies.

**J. E. (Ted) Newall, O.C.** is Chairman of the Board of Directors of NOVA Chemicals and, prior to July 1998, was CEO and Vice Chairman of NOVA Corporation. He has been a director of NOVA Chemicals since August 1991 and resides in Calgary, Alberta. He is also a director of BCE Inc., Alcan Aluminum Limitée, Royal Bank of Canada, Maple Leaf Foods, Canadian Pacific Ltd., McCain Capital Corporation and Bell Canada. He is Chairman of the Board of Governors of the University of Calgary.

**Jerald A. Blumberg** has been a director of NOVA Chemicals since February 2000. He is Past President and CEO of Ambar, Inc., a private oilfield services company. Prior to January 1998, Mr. Blumberg held various international and management positions with E.I. DuPont de Nemours & Company, Inc., most recently as an Executive Vice President and member of the Office of the Chief Executive. He is a director of Burlington Industries, Inc., The Lubrizol Corporation, Rentmaker, and iServiceX.com. Mr. Blumberg resides in Houston, Texas.

**Dr. F. Peter Boer** has been a director of NOVA Chemicals since February 1991. He resides in Boynton Beach, Florida. He is President and CEO of Tiger Scientific Inc., a firm specializing in science and technology consulting and investments. He is a professor in the School of Management at Yale University and is a director of Ensco, Inc. and Rhodes Technologies. Dr. Boer holds an AB in Physics from Princeton University and a PhD in Chemical Physics from Harvard University and is the author of over 100 publications.

**Robert E. Dineen, Jr.** has been a director of NOVA Chemicals since July 1998. He resides in New York, New York, and is a partner of Shearman & Sterling, Attorneys-at-Law, New York, New York. Mr. Dineen is a director of Manulife Financial Corporation and Resources for Children with Special Needs.

**L. Yves Fortier, C.C., Q.C.** has been a director of NOVA Chemicals since July 1998. He resides in Westmount, Québec, and is Chairman and a senior partner of Ogilvy Renault, Barristers and Solicitors, Montréal, Québec. He is Governor and Director of Hudson's Bay Company and a director of DuPont Canada Inc., Northern Telecom Limited, and Royal Bank of Canada.

**Kerry L. Hawkins** has been a director of NOVA Chemicals since July 1998. He resides in Winnipeg, Manitoba, and is President of Cargill Limited, and CEO of Canadian Operations for Cargill. He is also Chairman of Prince Rupert Grain, Saskferco Products Inc., and the Business Council of Manitoba, and a director of TransCanada PipeLines Limited, Shell Canada Limited, Hudson's Bay Company, BCNI, C.D. Howe, Cascade Terminals and the Chamber of Maritime Commerce.

**Jeffrey M. Lipton** has been a director of NOVA Chemicals since April 1996. He is President and CEO of NOVA Chemicals and resides in Pittsburgh, Pennsylvania. He is Chairman of Methanex Corporation and Trimeris, Inc. Mr. Lipton is Past Chairman and a continuing director of the American Plastics Council and a director of the American Chemistry Council and the Business Council on National Issues.

**Arnold M. Ludwick** has been a director of NOVA Chemicals since February 2000. He is Deputy Chairman of Claridge Inc. and, prior to 1999, was President and CEO of Claridge and an executive officer of The Seagram Company Ltd. Mr. Ludwick is a Trustee of the Charles Rosner Bronfman Family Trust. He resides in Montréal, Québec.

**Janice G. Rennie, F.C.A.** has been a director of NOVA Chemicals since April 1991 and resides in Edmonton, Alberta, where she is Principal of Rennie & Associates. She is a director of EPCOR Utilities Inc. (formerly Edmonton Power), Weldwood of Canada Limited, Tire-Ex Supply Ltd., and Rocky Mountain Air Compressors Ltd. She is also a Trustee of Canadian Hotel Income Properties.

**James M. Stanford** has been a director of NOVA Chemicals since December 1999. He is President and Director of Stanford Resource Management, Inc. During 2000, he was Chairman of Petro-Canada and served as President and CEO of Petro-Canada prior to January 2000. Mr. Stanford is a director of the Canadian Wheat Board, Fortis, Inc., Sunfire Energy Corp., and Inco Limited. He resides in Calgary, Alberta.

**Joseph D. Thompson** has been a director of NOVA Chemicals since July 1998. He is Chairman of PCL Construction Group Inc. Prior to July 1998, Mr. Thompson was Chairman, President and CEO of PCL Construction Group Inc. He is also a director of TransCanada PipeLines Limited, Shana Corporation, CFE Industries Inc., Jonan Enterprises Ltd., PCL Employee Holdings Ltd., and Eleven Engineering Inc. He resides in Edmonton, Alberta.

The governance of NOVA Chemicals is the responsibility of the Board of Directors and is delivered by four committees of the Board and NOVA Chemicals' Executive Leadership Team, comprising senior management.

Since 1992, NOVA Chemicals has had a broad-reaching plan for corporate governance. With NOVA Chemicals' increasing national and international development, and the globalization of the commodity chemical businesses, the directors and management have established forward-looking governance policies that are regularly evaluated and modified to ensure effectiveness.

NOVA Chemicals is aligned with the corporate governance guidelines of the Toronto Stock Exchange. The one exception to NOVA Chemicals' alignment with the guidelines relates to a recommendation that there be clearly stated mandates for the Board and the Chief Executive Officer. While NOVA Chemicals' Chief Executive Officer and Chairman have specific mandates, NOVA Chemicals' Board has plenary power. Any responsibility that is not delegated to NOVA Chemicals' senior management or a committee of the Board remains with the full Board. NOVA Chemicals believes this is an appropriate arrangement given the respective responsibilities of the Board committees and senior management.

The Board of Directors is responsible for making decisions regarding the business and affairs of NOVA Chemicals and establishes the overall policies and standards for NOVA Chemicals. The Board of Directors and the committees of the Board meet on a regularly scheduled basis. In addition, communications between the directors and management occur apart from regularly scheduled Board and committee meetings.

### COMMITTEES OF THE BOARD

#### AUDIT, FINANCE AND RISK

This committee reviews and inquires into matters affecting the financial reporting of NOVA Chemicals; the system of internal accounting and financial controls and procedures; NOVA Chemicals' financial audit procedures and plans; oversees the policies and practices of NOVA Chemicals relating to risk management strategies; recommends to the Board the appointment and remuneration of the external auditors; is responsible for the proper and orderly funding

and administration of the trust funds associated with savings and profit sharing plans and pension plans; and reviews with management and reports to the Board, annually, on the financing plans and objectives of NOVA Chemicals. Members include: Kerry Hawkins (Chairman), Robert Dineen, Arnold Ludwick, Ted Newall (ex-officio), Janice Rennie and Joseph Thompson.

#### CORPORATE GOVERNANCE

This committee is responsible for the composition, compensation, and governance of the Board of Directors of NOVA Chemicals and recommends nominees for election or appointment as directors. This committee is also responsible for maintaining an effective working relationship between the Board of Directors and NOVA Chemicals' management. Members include: Ted Newall (Chairman), Jerald Blumberg, Robert Dineen, Yves Fortier, and James Stanford.

#### PUBLIC POLICY AND RESPONSIBLE CARE

This committee is responsible for overseeing the policies and practices of NOVA Chemicals relating to its Responsible Care audit and the environment, health, safety, communications, corporate contributions, public policy matters and NOVA Chemicals' relationship with all of its stakeholders. Members include: Dr. Peter Boer (Chairman), Yves Fortier, Arnold Ludwick, Ted Newall (ex-officio), Janice Rennie and Joseph Thompson.

#### HUMAN RESOURCES

This committee is responsible for overseeing policies and practices of NOVA Chemicals with respect to human resources. It reviews recommendations for senior executive appointments and the terms and conditions of their employment; and considers employment terms such as succession planning and compensation. It is also responsible for the proper and orderly administration of NOVA Chemicals' savings, profit sharing and pension plans. Members include: James Stanford (Chairman), Jerald Blumberg, Dr. Peter Boer, Kerry Hawkins, and Ted Newall (ex-officio).

## OTHER CORPORATE ACTIVITIES

#### TECHNOLOGY ADVISORY COMMITTEE

In 1996, a Technology Advisory Committee was created to advise NOVA Chemicals on its research strategy and programs. The Technology Advisory Committee consists of one NOVA Chemicals' director, Dr. Boer (Co-Chair); as well as Dan Boivin, Senior Vice President and President, Olefins/Polyolefins of NOVA Chemicals; Paul Clark (Co-Chair), Vice President, Research and Technology of

NOVA Chemicals; Gerry Dyer, retired Research and Development Director, DuPont Canada Inc.; and three world-renowned research scientists: Dr. Michel Boudart, Professor, Stanford University; Dr. Musa Kamal, Professor, McGill University; and Dr. Kurt Zilm, Professor, Yale University.



The Responsible Care® program is the chemical industry's voluntary environmental, health and safety performance improvement initiative. NOVA Chemicals was one of the founding members of the Responsible Care program when it began in 1984.

## OUR VISION

We will be a leader in the chemical industry worldwide, in terms of our performance in and commitment to Responsible Care. Our ultimate goal is to operate our businesses without harm to people, property, and the environment.

## OUR OBJECTIVES

We will monitor our performance in key areas including health and safety in our facilities and within our communities, product life-cycle management, waste management, emissions control, and regulatory compliance.

## LEADERSHIP

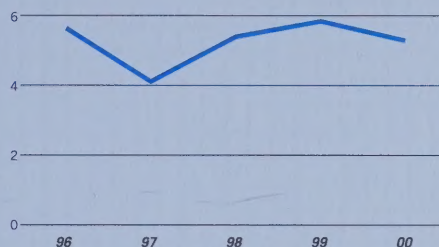
The Responsible Care program is integral to our way of doing business and is a line accountability. Our Responsible Care Council, a company-wide leadership team that reports to the Executive Leadership Team, oversees our Responsible Care systems, processes and results.

## THE FUTURE

Continuous improvement is the foundation of Responsible Care. We will focus on seeking ways to achieve increasingly higher levels of performance in all areas. NOVA Chemicals has completed a Responsible Care Annual Report which includes additional information on NOVA Chemicals' full slate of Responsible Care measures, including greenhouse gas emissions. You can access it through our website at [www.novachem.com](http://www.novachem.com) or call our office at (403) 750-3600.

### HAZARDOUS WASTE

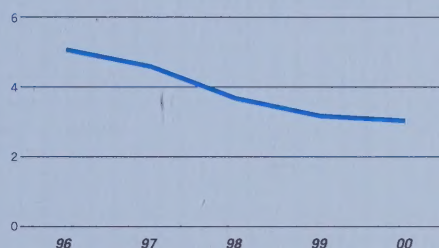
thousands of tonnes



Wastes are managed through process improvements and waste reduction initiatives. Wastes disposed increased due to the addition of nine new facilities acquired in the Huntsman and Shell acquisitions (1999–2000).

### HYDROCARBON EMISSIONS TO AIR

thousands of tonnes



Reduction in our hydrocarbon emissions has been facilitated through the application of improved technology and diligence on leak detection and repair activities.

### RESPONSIBLE CARE AUDIT PERFORMANCE

percent audit opinions ranking within the highest categories



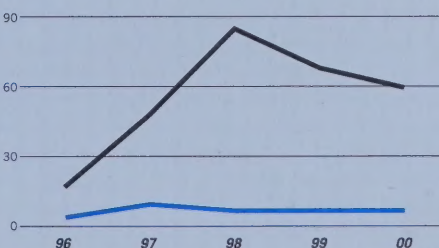
In 2000, 18 Responsible Care audits were conducted to measure our operational performance against five levels of compliance. These audits measure compliance with regulatory and internal health, safety and environmental requirements.

*Responsible Care audits conducted for benchmarking purposes at facilities which have not been previously audited have not been included in the performance data reported for 2000.*

### CRITICAL AND MAJOR INCIDENTS

no. of incidents

■ Major incidents  
■ Critical incidents

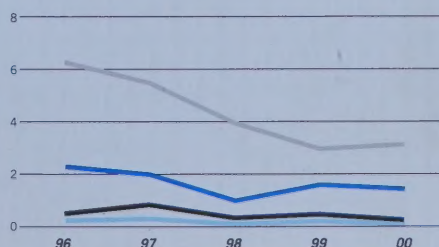


Incidents are grouped into four categories depending on their potential health, safety and environmental impact. Critical and major incidents are the two most serious categories. The apparent increase post-1997 was due to a significant lowering of our reporting threshold at that time, to provide improved data for preventive measures decision making.

### INJURY-ILLNESS

no. of cases x 200,000 hrs./no. of hrs. worked

■ Employee TRCR  
■ Employee AWCR  
■ Contractor TRCR  
■ Contractor AWCR



NOVA Chemicals believes that all work-related injuries and illnesses are preventable and uses an Incident Learning Process to track all incidents related to occupational safety.

- 1 AWCR (Away from Work Case Rate) represents work-related injuries/illnesses that result in individuals requiring time off work.
- 2 TRCR (Total Recordable Case Rate) represents work-related injuries/illnesses that are more serious in nature than first aid.



## ANNUAL MEETING

Shareholders are invited to attend NOVA Chemicals' annual meeting on May 17, 2001 at 10:30 a.m. at The Telus Convention Centre in Calgary, Alberta.

## SHAREHOLDER INFORMATION

For inquiries on stock-related matters, including dividend payments, stock transfers and address changes, contact NOVA Chemicals toll-free at 1-800-661-8686 Monday through Friday from 8:00 a.m. to 5:00 p.m. Mountain Time or via e-mail to: [shareholders@novachem.com](mailto:shareholders@novachem.com)

## TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company  
600 The Dome Tower  
333 Seventh Avenue S.W.  
Calgary, Alberta,  
Canada T2P 2Z1  
Phone: (403) 232-2400  
Toll-free: 1-800-387-0825  
Fax: (403) 264-2100  
Internet: [www.cibcmellon.ca](http://www.cibcmellon.ca)  
E-mail: [inquiries@cibcmellon.ca](mailto:inquiries@cibcmellon.ca)

## NON-RESIDENT INVESTORS

Dividends paid to non-resident shareholders are subject to Canadian withholding tax, generally at the rate of 15% for the United States and other countries where Canadian tax treaties apply, and 25% for non-treaty countries. Certain exemptions or refunds may be available to residents of the United States and other countries where Canadian tax treaties apply. Please consult your tax advisor for more information.

## SHARE REGISTRATION

NOVA Chemicals' common shares are listed on the New York and Toronto Stock

Exchanges under the trading symbol "NCX". On December 31, 2000, approximately 85 million common shares were outstanding and there were some 20,000 registered shareholders. NOVA Chemicals' common shares are transferable at the Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal and Halifax offices of CIBC Mellon Trust Company. The common shares are also transferable at Mellon Investor Services LLC, New York, New York.

## RAPPORTS ANNUELS EN FRANÇAIS

On peut obtenir un exemplaire de ce rapport en français auprès du service des affaires publiques ou du service des relations avec les investisseurs au (403) 750-3600 ou (412) 490-4000.

## REQUESTS FOR ADDITIONAL INFORMATION

For copies of NOVA Chemicals' quarterly reports, or additional copies of this annual report, contact NOVA Chemicals at (403) 750-3600, (412) 490-4000 or via e-mail to: [publications@novachem.com](mailto:publications@novachem.com)

## HOW TO CONTACT NOVA CHEMICALS

P.O. Box 2518  
645 Seventh Avenue S.W.,  
Calgary, Alberta,  
Canada T2P 5C6  
Telephone: (403) 750-3600 or  
Telephone: (412) 490-4000  
Internet: [www.novachem.com](http://www.novachem.com)  
E-mail: [invest@novachem.com](mailto:invest@novachem.com)

## PUBLIC AFFAIRS AND INVESTOR RELATIONS

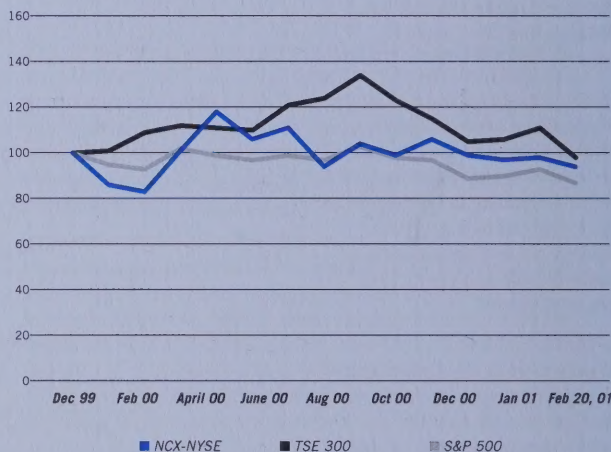
1-866-ASK-NOVA ~ Pittsburgh

## SHAREHOLDER RELATIONS

1-800-661-8686 ~ Calgary

## SHARE PRICE APPRECIATION


NOVA Chemicals' share price declined 3% in the U.S. on the New York Stock Exchange in 2000 and 1% in Canada on the Toronto Stock Exchange. This compares to a 19% decline in the S&P Chemicals Index and an increase of 46% in the TSE Chemicals and Fertilizer Index.



## NOVA CHEMICALS' SHARE PRICE HISTORY<sup>1</sup>

	2000	1999	1998
Dividends paid (Canadian dollars)	\$ 0.40	\$ 0.40	\$ 0.40
Market price (TSE) (Canadian dollars)			
High	\$ 37.20	\$ 35.25	\$ 31.75
Low	\$ 22.00	\$ 19.95	\$ 17.25
Close	\$ 28.10	\$ 28.25	\$ 20.00
Market price (NYSE) (U.S. dollars)			
High	\$ 25 <sup>1</sup> / <sub>16</sub>	\$ 24 <sup>1</sup> / <sub>16</sub>	\$ 21 <sup>7</sup> / <sub>16</sub>
Low	\$ 15 <sup>5</sup> / <sub>16</sub>	\$ 13	\$ 11
Close	\$ 18 <sup>13</sup> / <sub>16</sub>	\$ 19 <sup>9</sup> / <sub>16</sub>	\$ 13 <sup>1</sup> / <sub>16</sub>
Common dividend yield	1.4%	1.4%	2%
Shares outstanding			
Year-end (millions)	85	93	92
Average (millions)	89	93	92
Shareholders at year-end (thousands)	20	23	32

<sup>1</sup> NOVA Chemicals was launched as an independent publicly traded company on July 2, 1998. As a result, no comparable share price information is available prior to that date.

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